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January, 1934

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By H. Parker Willis

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By John T. Flynn

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THE TURKS BUILD A NATION. Robert L. Baker
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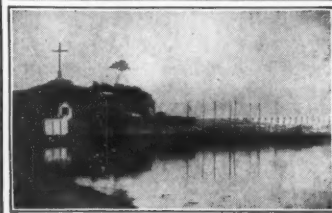
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BOOKS OF THE MONTH

Life in the Two Americas

By P. W. WILSON

THE development of the Americas, north and south of the equator, will absorb in due course the comprehensive genius of a reminiscent Gibbon, yet unborn. With a majestic range of vision, he will survey the landscape in its inevitable perspective. Of that final mosaic, arranged by a master hand, we who dwell uneasily within the throes of the continental transition, can only collect the details. In the books of the season, we catch glimpses of the life that cannot yet be seen as a whole.

Returning to the pictorial sequence which is so popular in every age, whether as a painting in an Egyptian tomb, a sculpture around the Parthenon or a Bayeaux tapestry, we may stand on the sidewalks as *The American Procession* (Harper's) from 1860 to our own days sweeps in photograph along the high road of history. We pause with Dr. Coleman to examine a particular moment of advance like *The Election of 1868* (Columbia University Press) which inaugurated the long predominance of the Republican party and the still more amazing persistence, like that of the Israelites in the wilderness, of the Democratic opposition, now arrived at last in the land of promise.

We may resume the satisfaction of a personally conducted tour through *Our Times*—the years 1914-1918—with Mark Sullivan (Scribner's), who has been that way before and continues to be our reliable and fascinating guide. With streamline accelerating locomotion we may speed with Martin D. Stevers over those *Steel Rails* (Minton, Balch) which are links, Federal as well as mechanical, that bind a coast facing the past across the Atlantic to a coast facing a future across the Pacific.

So may we arrive with something of a shock at what Bernard Fay, as a Frenchman, much troubled over inflation, describes in shrewd but transient terms as *Roosevelt and His America*—on which climax many books are forthcoming.

We have Ernest K. Lindley's ordered and complete account of what, scorning the word "experiment," he calls *The Roosevelt Revolution* (The Viking Press). This treatise on an

alarming topic is, perhaps, the best one for an average person to read when curious to know what has been going on amid the hurly-burly that has bewildered him.

With Earle Looker we may prefer to think that the New Deal is not a revolution but only another instance of *The American Way* (John Day) of dealing with emergencies which, perhaps, should never have been allowed to arise. In this book we have an account at once of the President's earlier career and of his flights over land and sea on the wings of the Blue Eagle.

Perhaps the most ambitious of these volumes is *The Third American Revolution* (Associated Press) in which Benson Y. Landis, elucidating the conflict between "robust collectivism" and "rugged individualism," undertakes to leave us in no doubt as to the meaning of the NRA, TVA, CCC, FCA, AAA, FERA, HOLC and other code signals of alphabetical economics.

Agreeing that *It's Up to the Women* (Fredrick A. Stokes) we may then join the ladies and especially the Roosevelt ladies. The President's wife, in this collection of her articles and addresses, says little that other ladies have not been saying day by day, but she says it with kindness, intimately, and with courage in her voice.

Her cousin, Alice Roosevelt Longworth has also lived through *Crowded Hours* (Scribner's), and her enjoyable reminiscences, though by no means devoid of feminine philosophy, are, like Margot Asquith's, frankly the table talk of eminence among the eminent. Nor must we forget *Dolly Gann's Book* (Doubleday, Doran). As a Vice Presidential personality of prominence, Mrs. Gann is entitled to her impressions of the Washington that she knew so well before the deluge.

The catholicity of publishing, if chaotic, is at least Jeffersonian. We may not be convinced nowadays that all are created equal. But we do hold that all are equally worth attention. Literature, like politics, remembers the Forgotten Man.

The primitive in the United States is either

Continued on Page VI

A Matter of Personal Integrity



At present the most thoughtful of us are engaged in submerging the business variety of individualism into neighborliness and co-operation according to the national economic policy. But we must at the same time prepare ourselves for the leisure that lies ahead. Not only must we do for others. We have an even more important duty to ourselves. The country's need for personal integrity in its citizens is even greater than its need for economic adjustment.

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local or artificial. We have two more of the many books that describe the mountaineers whose peculiar virtue it is to be in the modern world but not of it. In his novel *The Woods Colt* (Harcourt, Brace), written in dialect, Thames Williamson tells a stirring tale of outlawry, while Vance Randolph *From an Ozark Holler* (The Vanguard Press), offers more of those incidents of which his supply is never exhausted. But these very volumes, by drawing the attention of "furriners" to the picturesque idiosyncrasies of the highlands, are bringing their isolation to an end. The mountains must expect to be overrun by tourists whose dollars, at the moment, are unequal to the currencies of Europe.

On both sides of a blushing ocean, the clothless crusade is symptomatic of an attempted return to a somewhat unappreciative nature. When Frances and Mason Merrill write a book that "tells you frankly" how delightful it is to acquire an animated and inexpensive altruism *Among the Nudists* (Garden City Publishing Company), they advocate, not a custom—for customs require no advocacy—but a cult; and we regret that our experience of Eden is insufficient to enable us to praise this volume as faintly as, doubtless, it deserves.

The question in the United States is not whether civilization should or should not be tried but why, in some respects, it has failed to attain its ends. The quintessence of a diagnosis is submitted by an English resident in this country, William Aylott Orton, who for ten years has followed—the technical term would be "trailed"—*America in Search of Culture* (Little, Brown). Treating the republic not as a land of youth, but as "an aging spinster protesting against the natural evidence," he deals with the difficulties of progress within a written constitution, evolved "by thought upon a body of theory, rather than by life upon the womb of experience." Also, he discusses particular phases of the problem—the radio, the movies, music and art.

Every beat of Uncle Sam's somewhat irregular pulse, every twitch of his eyelid is recorded by anxious observers of his uncertain health. What worries Professor Huse of North Carolina is *The Illiteracy of the Literature* (Appleton-Century) and in scathing terms he denounces the epidemic that he calls "ver-bomania." About the admired severity of classical English, so we may suggest, there is less mystery than we are apt to suppose. It is acquired, first, by a strict course of training in Latin and Greek as a bilingual gymnastic reacting on English; and secondly, by the habit of reading the best, as distinct from the latest, books.

If, however, we are to believe the somewhat homicidal tributes which Stanley T. Williams pays to the immortals, *American Literature* (Lippincott) is at least as good as it used to be when Irving wrote his "flaccid essays," and Longfellow "warmed up Victorianism." Nothing of course will excuse the Mendelssohn of New England for writing songs which also had words. But to know all is to forgive all, and by shedding *New Light on Longfellow* (Houghton Mifflin) James Taft Hatfield explains many things. Longfellow, alas, was influenced by Germany.

As a city editor, Stanley Walker, from his ring-side seat, tells us all that there is to be told of *The Night Club Era* (Frederick A. Stokes) over which halycon period of Prohibition hostesses like Texas Guinan and Belle Livingstone presided with a royal if peripatetic dignity. Let us hope that in due course he will write with an equally vivacious veracity of the still more alcoholic era that will now improve, as some hope, upon the night club's outworn Puritanism.

Are we or are we not moving, as the Rockefeller Report on the subject puts it, *Towards Liquor Control* (Harper)? Raymond B. Fosdick and Albert L. Scott hold that, in itself, repeal is no remedy. Somewhat late in the day, as it may be thought, they are endeavoring in responsible fashion to work out a constructive policy of regulation, on which two comments suggest themselves. First, there is no plan of regulating the liquor traffic, whether it be State ownership, State control, high license, or whatever it be, that somewhere or other has not been tried and is not actually in force. Secondly, on every such plan applied in the United States the politicians will have their word to say.

Of legal enactments as a relief to emotional idealism, there is now skepticism, and not without reason. Dedicated to those who have held that *There Ought to be a Law* (Macaulay) William Seagle offers us "a collection of lunatic legislation" which is at once authentic, incredible and entertaining. The moral of the book is that no law is good unless it be enforced.

Those who grapple with the most obstinate perplexities are usually among the optimists. In their devotion they have no time to discover the meaning of the word defeat. After thirty years of such service among juvenile offenders, especially girls, Mrs. Alice Davis Menken, with Governor Lehman as her sponsor, emerges *On the Side of Mercy* (Covici-Friede), nor has any authority on the subject better earned the right to advance this plea.

About the supermen of the United States, there is a virility that triumphs even over biography. On the tombs of these giants, like stones thrown on a cairn, book after book

is piled. In spite of it all, the buried are alive.

Within that hospitable shrine, the Library of Congress, the most thorough of historical scholars, John C. Fitzpatrick, is impressed by the revelation of *George Washington Himself* (Bobbs-Merrill) in written document. He believes that this is the only dependable revelation and that tradition should be rejected. His book is thus the authoritative and most interesting outcome of a definite method of approach, and illustrious persons like Julius Caesar who have no Library of Congress to perpetuate their fame have reason to be envious of Washington's fortuitous advantages.

To the Washingtonian epic Kenneth Roberts contributes a romantic illumination. In his latest novel we share the trials and the triumphs of the *Rabble in Arms* (Doubleday, Doran) who fought and won the Revolutionary War. A valuable addition to the books on the period is Royal Ornan Shreve's biography of General James Wilkinson, sometime Commander-in-Chief of the United States Army. He may have been, in Randolph's words, *The Finished Scoundrel* (Bobbs-Merrill). But he deserves his niche.

Having written a life of Jefferson, Gilbert Chinard now gives us a full-length portrait of *Honest John Adams* as the practical man of the Revolutionary period. Tyler Dennett's estimate of *John Hay* (Dodd, Mead) is detailed and discriminating. Rollin Osterwetz tells us of *Judah P. Benjamin* (Putnam's) whose remarkable career as Secretary of State for the Confederacy ended in London where, with British nationality renewed, Benjamin was known as an eminent Queen's Counsel.

As we cross the equator, we derive an impression not wholly in accord with our usual phraseology. It is not between the New and the Old World that a distinction should be drawn. No world in Europe is as old as Latin America continues to be. The true distinction lies between a tropical and a temperate zone.

The terrible cold under the *Northern Lights* (Oxford University Press) which was faced by the British explorers of Greenland lies, after all, beyond the frontiers. But along a river like the Amazon the heat, scarcely less exacting as an atmosphere, is inescapable and affects the entire population.

Races intermingle. As a champion of the Nordics, Mr. Madison may bewail *The Conquest of a Continent* (Scribner's) by immigrants of another persuasion and may demand not only that immigration shall cease but that "wholesale deportation" be adopted as a practical policy. But what would be his lamentation if he had to purify the Aryan blood of communities where for centuries color also has been no bar to marriage?

It is to our credit in these days that we are not unduly obsessed, as were the Greeks, with ultimate achievements—the perfection of a poem or a statue. We have time to study the crudity of origins. In Europe origins are obliterated by civilization and have to be excavated by the antiquarian. But the origins of Latin America, racially intermingled, emerge like islands above the troubled waters of the twentieth century and the islands are still inhabited.

It is as a scientific naturalist that Professor Henry H. Rusby of Columbia University indulges in *Jungle Memories* of Bolivia (McGraw-Hill), and while his travels in search of cocoa were undertaken fifty years ago, the observation of plants, animals and fishes was of a kind that cannot be out of date.

Around a romantic heroine, *Tunchi* (Century-Appleton), who "stood lance-straight" in her "coral red tarache" and had "fine hair" like a "black helmet," Carl Liddle, assisted by the late David Thibault, has woven an elaborate and realistic tapestry of the customs and beliefs of every kind observed by him during the years that he spent among Indians and Spanish half-breeds in the forest primeval of Ecuador.

To Captain John Houston Craige of the United States Marines three years of service in Haiti spread a retrospect over the memory like the Arabian Nights adventures in a *Black Bagdad* (Minton, Balch). With equal zest he describes the magic of the Africanized Haitians, their music and their morals. Nor does he exclude from his record an occasional touch of the bizarre. He tells us of the *caco* who won fame by endeavors to behead three men with one blow of his machete, of the statesman who declined to be assassinated until he had arrayed himself in evening dress and of the white man who, going native, was so esteemed as to be able to claim, after two years, the paternity of 246 children.

Here are regions dominated by energy. Nor is the energy only supreme. It is irresponsible. The skyline explodes into volcanoes. Rocks are shattered by earthquake. Tempests spread the terrors of a tornado. There is always a surplus of heat. The bookshelf displays rough impressions of men dwelling within this environment to whom energy is the demonic virtue. Their dramas are melodrama. Violence is the force, will is the law, cruelty is the humor, fanaticism is the faith.

A characteristic, if imagined, example is Juan Colorado, half Irish and half Mexican, whose career is luxuriantly described as *The Journey of the Flame* (Houghton Mifflin). "When I deal with a man," he would remark,

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CURRENT HISTORY

JANUARY 1934

Are the Bankers to Blame?

By H. PARKER WILLIS

[Dr. Willis, who for many years has been Professor of Banking in Columbia University, was until recently editor-in-chief of *The Journal of Commerce* (New York). He was expert to the House Banking and Currency Committee during the drafting of the Federal Reserve Act and has held important official positions as economist and financial adviser both in America and abroad.]

COMMITTEES of Congress for many months past have, like some moving-picture exhibitor, thrown upon the screen of national consciousness a film of financial intrigue and debauchery. The chief figures in it have been bankers—commercial or investment—and their associates. They have screened so strikingly that there is a tendency in many circles to regard them as true representatives of American finance and bank management. Both at home and abroad there are many who are disposed to consider that the banking history of the past decade is a record of cunningly disguised graft, of imposition upon stockholders and fiduciaries and of get-rich-quick methods. Yet, when we

think a little more seriously about the matter, we inevitably question this first judgment, and we find ourselves drawn to inquire of the motives of the film directors, as well as the authenticity of the scenes recorded.

What is it that we have found out within recent months about various figures whose names were only a few years ago "blessed words" — with many of the rank and file? The disclosures at Washington may be classified under a few main heads as follows: (1) Those which relate to the personal financial ethics of the individuals involved, as illustrated, for example, in their income tax manipulations; (2) those that have to do with the use of bank funds for personal gain or other improper purposes; (3) those that represent various cunning and subtle forms of warfare against the interests of bank stockholders; (4) those which indicate misrepresentation in the sale of securities, or in the making of financial offerings to

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the public at large. These points have been supported by definite admission or evidence in so many cases that they must be taken as established.

Already many are striving to excite still further the wolves of investigation, while others are throwing to them victims previously regarded as esteemed colleagues, in the hope that it may be possible to make good an escape while these victims are being torn to pieces. In such circumstances, and before the opening of a possible saturnalia of denunciation and futile or misdirected legislation on the floor of Congress during the coming Winter, it is worth while, indeed essential, that the community should stop for a little serious thought about the precise meaning of the disclosures and their place in the general scene of American business and finance. How generally representative are the facts that have been brought to light? How far are the persons now accused responsible for what was done? In what respects are safeguards already in effect? And, lastly, what, if anything, needs to be done, and how far is there a call for moderation rather than for further excitation?

A fair examination of the facts disclosed by the Senate investigation leaves the feeling that but few persons, relatively, have been examined, and that these, while often "prominent," are not in themselves representative of either banking or business. Outstanding among the witnesses who have been subjected to test in Congressional committee rooms are a handful of bankers, about as many stock and bond issuers or manipulators and a few speculators and business men. Nearly all are inhabitants or citizens of New York. Practically all represent what are usually termed "Wall Street interests." Apparently,

then, so far as superficial facts go, it is "Wall Street" that has been on trial, and not the banking and business community of the United States as a whole, unless it shall appear that the former represents the latter. We must, accordingly, reject entirely the notion that—so far as these inquiries show—there has been a revelation of demonstrated crookedness on the part of American finance, trade and banking at large. There has been nothing of the sort. The showing has related to a few carefully selected personalities which may or may not be representative of specific conditions. The real question of interest is not whether practices of the kind exposed were general, since on that there is no evidence, but whether business and financial ethics were such as to defend or approve such conduct, or to serve as the cause of it.

This question becomes nearly, if not quite, as interesting and important when we narrow it to an analysis of Wall Street ethics, as when we view it from a national standpoint. Doubtless, it is true that the Senate investigation has concerned itself with leading figures in Wall Street finance—figures which in former years would have been admirably termed "representative." Doubtless, also, it is a fact that these figures have represented one prevailing point of view in Wall Street. Another phase of the question is thus really the problem how far and in what circumstances there should be developed a general distrust of Wall Street management in banking and business, and whether it is on about the same plane as that which is characteristic of the remainder of the nation. The matter can be approached most clearly by returning to the several categories of demonstrated fact already indicated, in order to ascertain what principles may be applicable

to each, and to assure ourselves how far they were inharmonious with nationally prevalent standards.

Most conspicuous, by far, in the revelations, have been those relating to the income tax. For a long time past there has, undoubtedly, been a fear in many quarters that income-tax returns might become the modern form of inquisition—a medium to be used for purposes of revenge or punishment when all else failed. It was only on the violation of income-tax laws that a notorious gangster was brought to the penitentiary some short months ago; and it is chiefly in connection with income-tax returns that prosecuting attorneys generally find their easiest field of effort. Hence, the disproportionate emphasis on income-tax data in the Senate inquiry. On this whole question, it is enough to say that but one of those who have thus far been subjected to examination has been brought to court, and that after a long jury trial he has been acquitted. Others, apparently, in the opinion of competent lawyers, have committed no legal wrong. The indictment against them then seems to be that, whereas in some recent years they paid large taxes, in others they have been able to charge off large losses—sufficient in many instances to cancel their tax liability which otherwise would still have been great.

That, in making their tax returns, these citizens resorted to many illegitimate if legal devices for the purpose of exempting themselves from payment cannot be excused or palliated, but it may be explained. For years past, the income-tax laws, regulations and administrative rulings have been not only grossly unjust and unfair, but deeply scholastic, quibbling and academic. There has been developed a large science of income-

tax hairsplitting whose practitioners have been in no small proportion former officers of the government who—from Cabinet members down—have accepted large fees from corporations and individuals for the service they rendered in securing reductions, refunds and abatements of income taxes. Congress has known all about the existence of this situation and, rather than remedying, has been inclined to aggravate it.

The situation existed, not, as often stated, because of loopholes unknown to unwary legislators, but because of large gates of legal evasion available to those who have had the means to get them swung open. Greatest of these is the capital gains and losses provisions of the income-tax law. It needs correction not, as is usually the first thought in Congress, by closing one side of the gate—that which relates to capital losses—while leaving the income side, as far as possible, open as a doorway for such inflictions upon gains as may be thought of, but through a general overhauling. It was recently pointed out in a report of the Treasury Department that the nation loses as much through deductions for losses as it makes through payments for gains or profits in the stock market. Nothing could more definitely exhibit the hollowness of the entire system. Yet, Congress has let it run, though there is nothing like it abroad, and no such elaborate system of income-tax dialectic anywhere in the world—let alone any such persecution of taxpayers on the basis of disclosures made in income-tax returns. The nation at large more or less realizes this situation but is tolerant of it.

We are now able to answer our first inquiry—that relating to the ethics of the income-tax disclosures. They represent what Congress and the community has not only tolerated but has

clearly provided for. The fault is with the nation as a whole, and is the essential outgrowth of the unfortunate fact that only a small fraction of the public—probably less than 3 per cent, even under the revised tax law of 1932—pays any tax whatever. As a result those who are thus heavily, partially and unrighteously taxed often exert themselves to evade the law and think themselves warranted in so doing where obvious doors of escape have been left invitingly available by Congress. This does not excuse, though it explains, the income-tax disclosures. They call not for hysteria and excitement, but for careful, scientific and above all equitable legislation on income taxation—something we have never had—and, above all, for an entirely new attitude of public responsibility.

A different problem arises when we come to the misuse of bank funds under forms of law which enable bank heads to speculate in the securities of their own and other corporations. Nothing is more alarming in the whole episode than the disclosures regarding the earning or losing of large sums through speculation with bank funds which, when gains, were promptly disbursed as bonuses to favored officers of banks, or, in case of losses, were written off because the borrowers could not, or did not want to, pay their loans. Such misuse was manifestly theft—as much so as if the recipients had dipped their hands into the banks' tills. Yet some countervailing considerations need restatement.

Nothing has been said, in all these inquiries, of the responsibility of directors and of the senior officers of banks who took no direct part in the transactions. Nevertheless, it seems clear that most of the operations wherein bank officers rigged the mar-

ket, shared in pools and operated with the bank's own funds, often against the interests of the bank's own shareholders, must have been fully known to the managing body as well as to the associates of those who directly participated. Undoubtedly, these transactions either were or might, and should, with even fair oversight, have been known. Moreover, there can be no reason for supposing that these conditions were not known to the government examining authorities, and, indeed, there is plenty of evidence that examiners did know of them, since the evidence itself now presented must have been largely obtained from examiners' files or records, or through their suggestion or indication. Why did not such examiners take action designed to correct the condition? Was it because of restraint from above? If not, it must have been due at least to supine and political management in the so-called higher quarters.

The Comptroller's office, notoriously weak for years past, did not actually approve, but permitted and tolerated, the practices of which complaint is now justly made. Directors had abundant opportunity to know, senior officers to register open disapproval; examiners had the duty to find out and criticize; the Comptroller's office and the Treasury management in general had the function of repressing all such practices. The Comptroller too, has not been greatly different in attitude from other Federal banking authorities. One who asked the Reserve Board some years ago to enforce the provision of law forbidding banks to buy bonds from members of their board of directors, was turned away as a "trouble maker"; and this is only a minor example of the prevailing point of view.

If none of these things were done, there was malpractice, perhaps malfeasance, and general sharing of responsibility for what occurred. This does not alter, let it be repeated, the moral or ethical quality of the steps that were open to complaint, but it unquestionably alters our whole conception of them from the social standpoint. They become not the surreptitious performance of unethical or financially perverted men, but the reflection of a perverted or atrophied official and directoral conception of duty. So viewed, they are a reflection of an inattentive, careless and lax attitude on the part of the community as a whole. The division of responsibility thus becomes general, and rests where it belongs from the social standpoint, without in the least diminishing the personal wrongdoing of those who were guilty of objectionable practices.

The habit of diverting the funds of banks into speculative channels is unquestionably general in the United States, "thought of, pondered, and worshiped and practiced day on day"—one which has been looked upon with a lenient eye by the average man. One of the conspicuous bank executives who was under investigation before the Senate committee this very Autumn cynically remarked that "speculation is unsuccessful investment." We may well ask, as it is obvious that he mentally notes, whether, had the manipulations of our bank executives led to no loss, there would have been any hue and cry such as is now prevalent. Yet the violation of principle would have been as great in the one case as in the other, since an undue risk was taken at the expense of bank stockholders and was accompanied by an effort to obtain personal profit. The disclosures reveal the average American, as well as his national officials, singularly

susceptible to considerations of expediency, prone to judge by success, indisposed to mete out blame or punishment on the basis of real action. They do not show bank executives or Wall Street as very different from others, save in degree.

We now pass to a special aspect of the recent investigations—one in which our bank executives have been subjected to severest criticism and in which their operations have been regarded as open to unqualified condemnation, even in Wall Street itself—that of inside dealings against the interest of their own stockholders. The testimony that has come to hand clearly discloses typical transactions in which heads both of banks and of corporations have not hesitated to use their own official information, acquired in the course of their duties, often as the salaried executives of corporations, for the purpose of stock market dealings and campaigns intended to make profits at the expense of stockholders who were less informed and less able to protect themselves. Operations in the stocks of corporations by their officers have long been regarded as on the margin of propriety and fairness, though they have been treated with great gentleness both by the courts and by legal and financial writers. A. A. Berle Jr., a putative member of the so-called Brain Trust, says in a recent volume, *The Modern Corporation and Private Property*:

"Any fair statement of the law would have to be based on the theory that the fiduciary duties of the director were limited to the corporation, and that if, by reason of his position he can without deception but equally without disclosure take advantage of a shareholder without depleting the corporate assets, he may do so. * * * It is probably generally true that man-

agements do take advantage of the shareholders individually, particularly along the lines of purchase and sale of stock dictated by their fiduciary knowledge of the corporation's affairs."

In effect this author thus holds what was done by the bank officers and others recently under investigation was (1) legal and (2) in line with general habit or practice in the American business world. This fairly reflects the general attitude of American observers who are not stockholders. There is unquestionably a large school of thought which regards the information acquired in directoral or executive service as the individual property of the person coming into its possession, and does not blame him extremely if he turns it to his own profit through stock market campaigns in which he defeats others—his fellow-stockholders—who are less well informed. That this is a low state of ethics and a contemptible standard of personal relationships need not be questioned. It is, however, the prevailing attitude of the stock market operator who does not hesitate to unload his holdings by technical methods of deception, even though he knows that many associates are buying under mistaken apprehensions.

The unbeautiful character of such selfish manipulations by the heads of some of our largest banks naturally attracts the denunciation of the community, though the same inquiry has revealed similar operations by non-bankers in numerous classes of stocks—motion pictures, oils and others. Many reprobate such operations on the part of strangers, though condoning them among friends and associates, on the ground that "every one is doing it."

The Banking Act of 1933, under great pressure of opposition, forbids

loans by banks to their officers, seeks to limit the volume of loans to be made on stocks obviously for the purpose of speculation and provides the means for direct removal of bank officers who are known to be guilty of undesirable, even though not criminal, conduct. In these particulars it recognizes the evils whose existence has been illustrated in the recent inquiries and seeks to correct them, but it is necessary only to review the recent hostile attitude of many both in and out of Congress on these very points to realize that the act of 1933 is ahead of the prevailing standard of conduct, and that its success in application is correspondingly doubtful. American public opinion is still at the stage where, like Juvenal, it "sees the better way, but follows the worse." The blame for distinctly unethical practices, involving disloyalty and treachery to associates and stockholders, must be fully borne by those who are convicted of such practices, but they will still be able to reply that they have abundant counterparts among business men, and that the rank and file of their fellow-citizens are disposed to condone such conduct, if not upon occasion to accept and adopt it. There is enough truth in such a view to make obvious the necessity of a good deal of division of responsibility.

The more the record of the recent banking and business investigation is studied, the more does the testimony there adduced appear like an impeachment of the general standard of morality, not merely in Wall Street, but in the country at large, rather than as an indictment of any particular group of persons. Let it be repeated again, even at the risk of tiresomeness, that this in no way involves palliation or attempt to justify what was done. It merely recognizes why the events took place. The persons who committed

them were not "victims of circumstances," and they ought to have known better; but they were, in fact, ordinary citizens, no better and no worse than a good many others. That their conduct was not repeated many times over by smaller bankers and business men was probably the result of lack of opportunity, rather than of difference in individual standards of ethics. The truth of the whole matter is that the American public has, in the past two decades, grown more and more deeply materialistic, and less and less inclined to adhere to, or demand, high professional standards of honorable conduct. It has been rotted mentally by the widespread vice of stock speculation in a form equivalent to gambling, and it has tended to regard the accumulation of wealth as an occupation in which the end, if successfully accomplished, largely justifies the means.

An Assistant Attorney General, in testimony regarding the conduct of a bank president, who was alleged to have made false entries in his customers' accounts, said that the practice or others like it had occurred so often that it ceased to attract his official attention; but this must be taken with some grains of salt. While it is true that the number of bad loans made to officers of banks is absolutely large, it is small when the great number of the banks and the difficulty of getting even tolerably efficient and honest boards of directors for so great a number of corporations are considered. In the main, American banking seems to have been free from any unusual amount of direct dishonesty. But it is likewise true that it has often admitted a low ethical standard and has shown no especially scrupulous regard for honorable business conduct, as shown by the small and decreasing number of dishonest bank officials

who are brought to justice. That this character is no worse than that which is generally characteristic of business and finance the country over is, as already stated, an explanation, not a palliation.

We come now to the last and perhaps the most mortifying of the disclosures of the Senate and other investigations of the past year or two—the fact that our investment bankers have been shown to have marketed many securities which they knew, more or less definitely, to be other than they were represented and frequently recognized as being of little or no worth. This was especially frequent when the issues were the output of foreign corporations and governments. Our banks failed to investigate the basis of securities, accepting the word of men who later turned out to be dishonest, and disavowed in their circulars their normal load of responsibility. They thus mulcted trusting clients whose confidence they had formerly won. It is a happy fact that these cases were the fewest among the instances of irregularity or unethical conduct that have appeared; and that they affected, on the whole, only a relatively small proportion of the securities marketed.

It would be difficult to find any palliation for the conduct of this small group of issue houses and bankers, and it would seem that the real burden of condemnation must rest with special weight upon the members of this group who defrauded the public by the distribution of false statements, or statements which they had no good reason for believing true, or at least by the tacit sponsoring of unsound issues. Their conduct accounts for the attempt of the new Securities Act to make the issuers of securities really the guarantors of their worth, and which thus seeks to protect the

prospective buyers of shares in hazardous business enterprises where no one can possibly give such an assurance of success. This group of so-called investment bankers, moreover, must undoubtedly be regarded as definitely beyond the pale even of the very liberal financial ethics of the American community and the still more complaisant standard of Wall Street. Such explanation as there may be for their conduct lies in the extraordinary greed and lack of discrimination with which the public bought the offerings that were placed before them. Unprincipled men did not hesitate to take advantage of this gullibility.

And here much blame must be accepted by the economists of the country, the officers of the Federal Reserve System and others—the economists because of their “new-era” teachings based upon the assumption that everything would turn out “good,” the Reserve officers because of their lack of restraint in the making of loans to banks and investment houses—through purchase of their paper—which were engaged in the flotation of doubtful offerings. Informed that they were doing yeoman service to international comity and development, and that a new era in which old economic laws would no longer prevail was at hand, the investment bankers could at least claim some division of opinion about their conduct. The fact that the Investment Bankers Association never took action of any sort, so far as known, to repress or frown upon the pursuit of many of the more questionable practices further divides and generalizes the responsibility for what happened in this particular field. It is a poor defense, but, such as it is, the investment bankers who placed the foreign and other securities upon

misrepresentation may make the most of it. It does, as indicated, divide the blame to an extent, though it does not reduce or modify it as a whole.

Our investment banking mechanism still exists; our method of choosing bank executives by favoritism, family influence and ability to sell securities and other things will probably persist for a good while; our worship of money-making and “success” is ingrained and will have to be educated out of us in some measure; our unwillingness to reduce the number of our banks and to place their management only in skilled professional hands is hard to overcome; our distrust of the teachings of experience in other nations is a serious obstacle to successful reorganization of our banking system. The errors and irregularities which have been characteristic of our bankers have duplicated and enlarged those of our speculative and picaresque business men. They have in many respects gone further than the latter and have carried to a higher development methods of raiding the common purse that were already frequent, and were recognized and tolerated even by our writers and *soi-disant* economists who have steadily apologized for them.

The time has come when it is needful to build up a more professional spirit in business and banking, duplicating at least the development that has been attained in some foreign countries. Legislation will not prove a corrective unless it is supported by public sentiment, and the extension of government control will make things worse rather than better. From the waste and folly of ship construction under the Wilson régime to the extravagance and waste of the Farm Board and of current administrative agencies, there is not a trace either of

progress in superior efficiency of management on the part of government authorities, or of more public spirit than has been shown by business men. From the dishonesty of the oil-scandal period under President Harding to the various frauds in the government of New York City under recent administrations, there is nothing to suggest superior honesty as compared with that of the business men and bankers who have figured in the Senaté investigations. There is certainly no salvation to be sought in the extension of public control or ownership of anything. "Socialization" promises nothing, pending the advent of persons of a different and more promising type to do the socializing.

Probably the most convincing defense of the conduct of our banking community—and of the speculators and business men who have figured in a minor way in the recent investigations—is simply that they afford a fairly genuine picture not merely of business ideals but of the rank and file of American standards and ethics of business. The men investigated have followed their own lights and the lights of the community in which they were resident. Though they have many critics, now that their conduct is exposed, this merely suggests at worst that there is a great deal of hypocrisy among their colleagues, since these latter did not correct the abuses complained of. Undoubtedly there is still a considerable element in the community which knows better than is suggested or indicated by the practices in question and which wishes to have them altered and reformed as soon as may be. But how those who entertain a better standard of conduct can get to the front and can make their ideas effective, is a serious question. That they have not, and are not, doing so as stock-

holders, has been only too obvious. The complaint that they had not the facilities for making themselves heard is well founded, but is largely offset by the fact that they have not on the whole attempted to get a hearing, and have shown little intelligent interest in problems of corporate management.

No effort should be made to bring about a housecleaning of the familiar type in which more dust is raised than is laid. As soon as possible, there should be a determined effort to substitute men of better record and greater harmony with the better traditions of American business, rather than the average or worse, in place of those who have been directly responsible for the debauch of recent years. The mere sacrifice of some prominent figures to public reprobation while the really responsible men remain on duty in directorates and elsewhere will produce no fundamental change in conditions. Nor will there be a really thorough alteration of the state of things complained of until there grows up a totally different point of view on questions of corporate duty and management among the rank and file as well as among professional reformers, lawyers and leaders. This will take a good while, and meantime there will be no advantage in substituting executives of the same sort that have been in control. Neither shall we gain by transferring control of any branch of business to political appointees. The latter must necessarily be named by the same persons and under the same auspices that led originally to the appointment of the unfaithful servants who have been false to their trust while in private employment. There is, as we have just seen, nothing in logic or experience to expect better things from them than have been provided by their contemporaries in private life.

Wanted: Real Banking Reform

By JOHN T. FLYNN

[Mr. Flynn's criticism of the conduct of banks and corporations in the United States has on several occasions resulted in official investigations of their practices. Among his books are *God's Gold* (a biography of John D. Rockefeller), *Investment Trusts Gone Wrong* and *Graft in Business*. In the Spring a new study, *Security Speculation*, will appear.]

As Congress moved into the closing days of its last session it was still in the shadows of that vast banking débâcle which greeted Mr. Roosevelt as he assumed office. That was the most humiliating failure of a whole banking system in history. Yet, with that disaster still fresh in our minds, Congress passed a banking law which is a perfect example of the haphazard and unintelligent manner in which America deals with her great social and, particularly, her great economic problems.

The fundamental organic disease which afflicted our banks we ignored almost wholly. Instead we prescribed a half dozen poultices and lotions and one powerful narcotic. Under the guise of banning one very vicious type of affiliate we legalized a whole flock of equally dangerous other kinds of affiliates. We extended branch banking without providing any safeguards against its abuses. We literally, for the first time, expressly legalized and established holding company banking under the appearance of providing a thin and watery form of regulation. We overlooked wholly the one great basic condition out of which all our banking troubles have grown, namely, that our banks had ceased to be primarily banks and had become mere-

ly fueling departments in enterprises run not by bankers concerned with operating banks but by promoters whose object was to exploit the credit resources of the bank. And then, to complete the job of rambling legislation thus brought together, we provided for a guarantee of deposits, leaving most of the ills of the banks untouched, but putting the public vigilance to sleep by proclaiming that, while bankers may continue to inflict mortal wounds upon the banks if they choose to do so, the public need not interest itself in the matter since it will be protected against loss.

Unhappily, in spite of all that has happened, a large section of our business community persists in the belief that, after all is said and done, our banking troubles were just one of the fruits of the depression. The banks, perhaps, did unwise things. But in the end it was the crumbling of the country's business—the foundations on which our banking structure rested—that caused its failure. This is very much like saying that the leaks in the roof were caused by the rain.

After all, our bank failures did not begin with the depression. In the three prosperous years of 1927, 1928 and 1929 about 1,800 banks closed their doors. This was more banks than had failed in all the rest of the civilized world together in a decade. This surely ought to have been enough to arouse our suspicions as to the soundness of our banking system. Any other people, less stricken with complacency about its economic machine,

would have at least asked itself what would happen if a storm should break on a banking system which suffered such casualties in a season of profound calm.

What is more, after the depression got under way, while thousands of banks failed, other thousands stood firm. All were subject to the same blows. The fury of the depression beat upon all. But some banks remained while others were swept away. Have we not a right to conclude, since so many banks survived, that the primary cause of the collapse of others lay in their own inherent weakness? And since the number that failed reached the appalling total of over 10,000 is it not a just conclusion that the weakness which destroyed them was some contagious malady which affected the very organism of the banking system itself under which those weak banks operated?

This disintegration of our banking structure has been going on for a decade, growing in volume and intensity as we moved from prosperity to the depression. Strange as this must have appeared to the world outside our borders, it was not nearly so strange as our unwillingness even to think about the problem. It is all a part of our general unwillingness to look at the grim facts of our economic life. We have ridden along upon the theory that banking development is a matter for the bankers just as the development of our corporation laws was supposed to be the peculiar concern of our corporation lawyers. We permit individuals, as part of our devotion to the method of trial and error, to venture upon all sorts of experiments. The assumption is that while many will fail, here and there a few such experiments will succeed. Those which succeed will be imitated by others. The most efficient method will survive and

thus our economic system will gather strength.

The weakness in this is that what survives will be what is most efficient for the individual who invents the method or for him who copies it rather than for the social economy. In the invention and perfection of these devices the public economy is not considered at all. If some student or observer interposes a criticism based on the interests of society he is set down as a subversive busybody. It is not until a new banking device or a new legal contrivance has been brought into general use and become all enmeshed and rooted in our economic life that the public becomes aware of the fact that its interests have been damaged.

And so during these last ten years, as corporation lawyers invented one device after another, as banking promoters developed one scheme after another, there was no public agency which was concerned with the interests of the depositors or of society as a whole which had the power to scrutinize these schemes, to analyze them, to restrain them or at least to bring them under regulation. A fine opportunity was presented to the office of the Comptroller of the Currency to perform this service. But this department, like so many departments of the Federal as well as the State governments, was under the domination of that fatal notion that government departments are set up to range themselves on the side of business groups, to collaborate with business groups to increase their profits and attain their objectives, rather than to represent the whole people and protect it against the excessive energies of acquisitive men. The form which the government's activities took in this situation is enlightening.

It was inevitable that the numerous and disastrous bank failures of the eight years preceding 1929 should have produced a little agitation among the bankers. And after a while there came to the surface a very powerful movement to deal with the situation. But it was limited to certain powerful banking groups. They called attention to our enfeebled banking structure and demanded that the nation find a way to legalize branch banking. This proposed remedy was in fact only another form of the disease which it was supposed to cure.

The primary evil in our banks for many years has been the incessant efforts of promoters to get control of the funds which flow into the banks. The bank is the depository of the community's funds and as such is the basis of the available credit of the community. The promoter-banker needs nothing so much as access to these credit pools. Hence he has perfected all sorts of devices for getting control of them. One of these has been the extension of branch banking. It was an easy thing to set up branches in different parts of the town or to buy up established neighborhood banks and make them into branches and thus operate them as funnels into which the deposits of the community were poured to find their way to the central bank of the system.

In places where branch banking was not possible under existing laws, holding company banking was resorted to. By forming a holding corporation it was possible to buy up unit banks all over the town or State or even in various States, operating them as unit banks in appearance but in reality as cogs in one large banking machine serving the same purpose as branch banking, namely, the acquisition of control over large reservoirs of credit.

The purpose of these enterprises

cannot possibly be doubted. Wherever we find the branch banking system or the holding company system we find the bank affiliate in all its forms and subsidiaries trafficking in securities, real estate bonds and business adventures of every type.

Then, as our banking system grew weaker and weaker and the tide of failure rose against the structure, as a result of the exploitation of the banks, the one remedy proposed was the extension of branch banking and holding company banking in order to permit the promoters to extend their domination over still larger numbers of banks. They proposed to cure the disease by expanding the areas of infection.

At this point the Comptroller's office assumed the lead in this movement for the extension of branch banking. The Comptroller announced that our troubles were due entirely to the presence in our system of too many small banks. These small banks possessed insufficient capital. They were under the control of untrained bankers. They could not possess the facilities for the intelligent examination of collateral. They could not diversify their loans and investments. They were at the mercy of the prosperity of their several communities and the condition of survival was the continued solvency of the communities on which they rested. Then followed an endless stream of reports, statistics, pronouncements, addresses and recommendations branding the little banks as unsound.

One wonders what would have happened to some lay critic who published such an incessant tirade against the soundness of the larger banks. It is not at all impossible that he would have been arrested for attacking the solvency of the banks. The Comptroller undertook to prove that all the failures were among the little banks. The

conclusion he drew was that, since the communities where these little banks languished needed banks, the way to supply the need was to permit the larger and more efficient bankers in the large cities to establish branches. Branch banking was prohibited in many States. In the Federal system it was permitted, but no bank was permitted to operate branches outside the limits of the town in which the parent corporation was located. He urged the extension of the permission first to Federal Reserve districts and later to the trade areas in which the proposed parent bank flourished.

In the Comptroller's crusade there were two odd facts. One was that the statistics about the weakness of the small banks were wholly misleading. It was true that the vast majority of the failures were among small banks. But this was because there were more small banks than there were large ones. The proportion of failures among small banks was no greater than the proportion of failures among the large ones. As a matter of fact, the losses measured by deposits were very much larger in the large banks as a class than in the small banks as a class. If we divide banks into those having deposits under \$1,000,000 and those having deposits over \$1,000,000, then we get the following statistical history of the failures: Out of every five bank failures, four were in the first class and one in the second. But if we measure the failures by deposits rather than number of banks, then out of every five dollars of deposits involved in the failures, one was in the first class and four in the second.

The other fact was that the Comptroller's studies were limited to this factor of size. Although his office was in possession of a mass of facts in all the suspended banks under his juris-

diction—a rich mine of data for the student of our banking—no effort was made to transmute that raw material into helpful information for students of banking. I myself tried to stir the Comptroller's office into a study of the relative failures among unit banks and branch banks, among holding company banks and branch banks. But it was never possible to get any information on these points. The important question of the part played by security loans in bank failures failed to interest that office. The whole subject of bank directorates, of the affiliates, of the part played by loans to bank directors and their own corporations, of the extension of the activities of bank officials to other corporate enterprises—all this held no interest for the Comptroller's office or any other agency of the government. It was not possible to find out even the identity of the holding company groups. The one department in the government which should have been vigilant actually sat upon such information as it possessed and would not stir to make its data available to students.

The abuses which crept into our banks were numerous. But they can all be traced to a single cause. Indeed, the whole business of reforming our banking system resolves itself into rooting out of the banks this corrosive cause. I have already stated it. But it is so important that it must be repeated. Banks were not primarily banks. The men who operated them were not primarily bankers. This disease is, of course, not peculiar to banks. It permeated our whole financial and industrial society. The street railway system gets into the hands of real estate developers, after which its primary function of transportation becomes a secondary matter. The utility system gets into the hands of investment bankers, after which its

fundamental function of supplying power and light to the community is subordinated to the business of merchandising securities.

How do banks get formed? They are usually launched by a group of local business men who are especially in need of the credit resources of the town. You will find a real estate man or two, the local equivalent of the investment banker, a few adventurous business men who have a flair for speculating in land and utilities and enterprises of the town. The directors serve without pay. The officers serve for moderate salaries. But all are privileged to dip at intervals into the pool of money and credit they had created.

I recently looked into the results of an examination of a bank in a Western State, which closed its doors last February. A depositors' committee made up a list of the relationships between the bank and its officials. The president had a loan of \$15,000 and a deposit of \$11.42. The first vice president had a loan of \$14,482 and a deposit of \$5.75. Another vice president had a loan of \$21,278 and a deposit of \$2.50. And the firm of the president and vice president enjoyed a loan of \$26,000 with a deposit of \$7.93. The officers and directors together had loans aggregating \$747,268. A group of corporations controlled by the directors had loans totaling \$668,984. These loans equaled more than a fourth of all the deposits. Their own aggregate deposits did not amount to \$20,000.

It would be a simple matter to dismiss this incident if it were an isolated one. The most disturbing element is that the men who formed this bank and then proceeded to use its resources for their own enterprise were not irresponsible schemers. They comprised about fifty of the best-known

business men of the town. These gentlemen were not doing anything out of the ordinary. Thousands of banks all over the country were submitted to the same practices. It cannot be said that the business communities in our towns were ignorant of these practices. People knew the bankers did this sort of thing and wrote them down as pretty smart. But it must be clear that, whatever they were doing, they were not interested primarily in operating a bank. No intelligent banker who was paid by the bank and the bank alone, who was forbidden to have any other business connections, who was not allowed to sit on various directorates and who could make no other profit than his wage for running a safe bank and who, therefore, standing on one side of the counter only, scrutinized every proffered loan from the point of view of his stockholders' and depositors' interests, would have made the mistake of approving loans like these.

The bank affiliate belongs to the same class as banks carrying on these transactions. It was invented in the first place to get around all the rules of sound banking which several generations had formulated. The late George F. Baker admitted to Samuel Untermyer during the Pujo money trust hearings that he organized New York's first bank affiliate for the purpose of evading the banking laws. Later the affiliates appeared everywhere, as might have been supposed, and with a pipe line leading directly into the banks' vaults, with no law restraining them, with no scrutiny possible and with the blessing of such mighty bankers as Baker, Stillman and Wiggin, they proceeded to violate every principle of trust which centuries of civilization had fabricated for the protection of society.

It is all very well to grow wroth at

Mr. Wiggin now and thus exhibit our own virtues. But what Mr. Wiggin was doing was well known to his board of directors. What he did was done in collaboration with many of our leading business executives. It was done on a somewhat smaller scale by thousands of bankers all over the country. Mr. Wiggin was not unaware of the importance of a bank enjoying the undivided loyalty of its employees. Every clerk was compelled to sign a pledge not to engage in any other business while an employe of the bank. If this was a good rule for the clerk charged with purely ministerial duties why was it not a good rule for the officers to whom was committed the larger matters of policy? If it was a sound regulation for the \$25-a-week messenger and the \$50-a-week teller, why was it not a good rule for the \$4,000-a-week chairman of the board?

Mr. Wiggin insisted to Mr. Pecora that the outside connections of the higher officers were a good thing for the bank. It helped to bring the bank business. Mr. Pecora very adroitly inquired if Mr. Wiggin's presence on the finance committee of the Brooklyn-Manhattan Transit Corporation had brought any advantages to the bank. Mr. Wiggin insisted it had, to which Mr. Pecora again inquired if a loan of over \$3,000,000 by the Chase National Bank to the president of the B. M. T. which was at the moment heavily under water was one of those advantages.

Here it is apparent that what broke down was that high sense of the fiduciary relationship which would have forced these men to stand resolutely on one side of the counter and that the side where their employer, the bank, stood. They did not do it because they could violate this well-established rule of business dealing with impunity. Does it not then all

come down to this, that the crux of the problem is to insure that the bank directors and the bank officials, like the messengers, bookkeepers and tellers, shall be bank employes and nothing else? In spite of all that has happened, I, for one, have sufficient confidence in the probity and intelligence of men to believe that if bank officials were freed from the handicap of conflicting relationships and interests, they will almost automatically work out and practice safe standards of banking. If they will think with the minds of bankers rather than with the minds of speculators and real estate operators and utility promoters and investment merchants they will upon the whole think straight.

What has been done thus far to bring about this result? In the States, almost nothing; in the Federal Government, very little. The Glass-Steagall Banking Act, passed in the closing hours of the last Congress, without any aid from the administration and wholly under the stimulus of the public shock occasioned by the National City Bank revelations, moves only a short step in the right direction and several steps in the wrong direction.

This act does not, as is supposed, render unlawful all bank affiliates. It prohibits banks from being connected with affiliates of any sort through the issuance of identical stock certificates, that is, it makes it unlawful for banks connected with the Federal Reserve System to issue certificates of stock which may serve at the same time as certificates of stock ownership in any other corporation. But the bank itself may own affiliates. It may be connected with affiliates by means of a holding company.

It may not have any interest in any affiliate which is engaged in the issuance or underwriting of securities. But these provisions of the act are so

framed that it is still possible, through a series of holding companies, for one set of interests to control numerous banks and any number of security companies and, indeed, companies of all sorts. Corporation A may own a bank. It may also own other corporations which are not security investment banking concerns. But there is nothing to prevent Corporation A from belonging to Corporation X, which, in turn, may own a security underwriting company.

There are provisions which do limit the lending of money to affiliates by the bank directly. But there is nothing to prevent the bank from making loans on the security of stocks or bonds which may be issued by a subsidiary of some remote holding company.

The act limits loans by banks to officials and directors. But I see nothing there to prohibit loans to corporations in which those officials or directors may have an interest.

The act does authorize the Federal Reserve Board to scrutinize the loans of member banks on security collateral and makes some very mild limitations on such loans. But it does not go far enough to have any real reformatory effect.

While the act arranges for the examination of holding companies and for affiliates, it fails to recognize the grim fact that examination of large groups of banks and other corporations united by means of holding companies is practically impossible.

Banks should not be permitted to have affiliates of any kind. No sound public purpose can be suggested why this is necessary.

Banks should not be permitted to fall into the hands of holding companies. It would be a simple matter to construct a prohibition which would effect this end. The new act instead

of doing this actually legalizes holding companies.

Banks should not be permitted to engage in branch banking of any sort so long as holding company banking is permitted. The Glass-Steagall Act permits national banks and State banks that are members of the Federal Reserve System to engage in State-wide branch banking where State laws permit branch banking. But it is futile to attempt to limit branch banking to State boundaries so long as a group of bank promoters can organize a holding company which will hold branch banks in as many States as it wishes. And while it holds branch banking groups and unit banks, it can also own and operate through pyramided holding companies security companies, utility companies, oil companies, real estate developments or any other sort of business it wishes.

And then, over and beyond all this, the act fails to come to grips with a fact about our banking system which cannot longer be ignored. That is that the business of demand deposit banking, or what we more or less loosely describe as commercial banking, is a business by itself, a business which performs an economic function of commanding importance. The whole body of demand deposits makes up the money of the community. In this respect these differ wholly from time deposits in commercial banks and savings deposits. These demand deposits should be rigidly guarded from being used in long-term investments of any sort. They should be limited, at least as far as possible, to self-liquidating short-term commercial credits. Indeed, some means ought to be worked out by which all or practically all the loans or investments made by deposit banks will be available for dis-

count at the central bank. This means that loans on common and preferred stocks as well as on corporate bonds ought to be strictly prohibited. The resources of savings banks might then be made available for long-term loans. The word "bank" ought not be used to describe the savings banks at all. They ought to be known as investment institutions, or at least some name ought to be found which would adequately describe them and differentiate them from commercial banks of deposit.

What a far stride this is from the kind of commercial banking we have had in this country will be guessed when we are reminded that the government's examination of one of the great commercial banks of Detroit, now in the hands of conservators, showed that it had put 85 per cent of its assets into security loans and tied

up another 10 per cent in mortgages.

To this I ought to add at least this concession, that it may prove difficult to bring about this result without bringing all our banks into a single unified Federal banking system. As long as the national bank has to compete with the State bank in each State and the State Legislatures persist in implementing State banks with all sorts of dangerous devices for getting business away from the national bank, the job will be a difficult one. The chance to bring about this great and essential reform of unified banking came when the general collapse of March threw the whole situation into the hands of the Federal Government. The chance was promptly thrown away. However, it is not too late to be again seized. Until this is done all hope of real banking reform must be little more than a pious hope.

Weak China's Strong Man

By EDGAR SNOW

[Mr. Snow, an American who for several years has been the Far Eastern correspondent of the Consolidated Press Association, has recently published a book entitled *Far Eastern Front*.]

HOWEVER future historians may interpret the contemporary political drama of China, they are certain to assign the principal rôle to General Chiang Kai-shek. For six years he has been the outstanding political and military figure in the kaleidoscopic Chinese picture. Strictly speaking, we should not call him dictator of China, for neither his authority nor that of any one else reaches over more than a part of the vast provinces. But in so far as 400,000,000 Chinese are represented by the government at Nanking, Chiang Kai-shek is the nation's strong man.

Since 1927 Chiang has been, variously, Commander-in-Chief of the nation's armed forces, chairman of the Central Executive Committee of the Kuomintang, the only legal political party in China; chairman of the State Council, chairman of the National Economic Council, commander of expeditions against the Communists, President of the government, and so on. At times he has filled several Cabinet posts concurrently; always he has exercised ultimate power over the government. Today, as chairman of the Military Affairs Commission and holder of other important offices, he sanctions whatever domestic and foreign policies the recognized oligarchy follows. Unquestionably he has borne, and continues to bear, the chief responsibility for Chinese policy throughout the second Sino-Japanese "war."

Slight in stature and apparently without much physical endurance, Chiang nevertheless is full of a nervous vitality that expresses itself in vigorous action. He rises early and often retires late. He seldom takes a holiday, but moves frequently from one of his several estates to another. In a single day he often deals with such widely different matters as military plans against Communists, rural rehabilitation schemes, road-building methods, educational programs, foreign disputes, financial affairs and Nanking's attitude toward the latest rebel war lord. From his villa in Kuling he can issue orders directly, by radio or telephone, to Nanking, Shanghai, Hankow or elsewhere, or dispatch a military airplane to his followers in Peiping.

Chiang's persistence in power remains to many something of a mystery. He is not a great statesman, nor a really great general, and in some ways he is a mediocrity. Yet he has nevertheless contrived, with considerable adroitness, to survive half a dozen major crises. His strength really lies in the weakness of his enemies, their fears, their failure to unite against him, and, with the exception of the Communists, the absence of any mass following behind them. It lies also in his military control of the rich Yangtse Valley and the wealthy Shanghai banking and industrial area, in the support of the foreign powers and in his control of the Kuomintang.

General Chiang's background is typical of many Chinese neo-militarists.

His ancestors for years leased and managed a salt monopoly in Chekiang; his father is said to have been a wine merchant. Into that respectable atmosphere Chiang Kai-shek was born in 1888 at Chi-kou, a village near the walled town of Feng-hua, not far from Shanghai. As his father's calling apparently did not appeal to him, Chiang, at 18, entered the Paoting Military Academy. After a year there, he went to Japan and studied at the Tokyo Military Academy for four years. During this period he saw Japan develop rapidly as the great power of the Far East, and the impression on Chiang was profound.

He returned to China in time to join the Revolution of 1911. Two years later he became a sworn follower of Dr. Sun Yat-sen, but in the next ten years did little to distinguish himself. His official biographers speak of this rather furtively as the "dissolute" period of his life. He went in for Shanghai night life, became popular with the singing girls, acquired several concubines, explored the underworld and became intimate with leaders of the Ching and Hung Pongs, political-criminal gangs dealing in everything from opium to assassinations.

It was during the early period that Chiang met Chen Chi-mei, the dissolute tutuh of Shanghai, who was his chief until Chen's assassination in 1916. Chiang owed much to him, and later he was not to forget Chen's relatives. Another who shaped Chiang Kai-shek's early career was Chang Ching-kiang, a wealthy curio dealer and a charming personality. When Chiang, about 1920, drifted out of politics altogether, it was Chang Ching-kiang who backed him as an exchange broker in Shanghai. A veteran in political intrigue and a shrewd judge of men, Chang may have seen in the still youthful Chiang Kai-shek a man of

promise, who might at some time be used. Eventually, under Chiang's so-called "spoils system," Chang became a Provincial Governor.

In 1923 Chiang "reformed," according to his biographers, and again turned to politics, joining Sun Yat-sen at Canton. In that year Sun concluded his agreement with Joffe, whereby the Soviet Russians were to help rehabilitate the decadent Kuomintang and lend to it economic, political and military advisers to lead a proletarian revolution. Dr. Sun sent Chiang with others to study at Moscow. On his return, some months later, Chiang was apparently a Red enthusiast. Sun and the Russians made him director of the Whampoa Military Academy, where he formed the military alliances that ultimately helped him to power. Henceforth his success was rapid.

Before Sun's death in 1925, Chiang was made a member of the Kuomintang Central Executive Committee. His political influence increased, especially in rivalry to Wang Ching-wei, non-military leader, Leftist in political thought, and generally regarded as the authentic ideologist deputed by Sun Yat-sen to succeed him as head of the party. Serious conflict between them was averted, however, till 1927. Chiang obeyed party orders, and, with a few exceptions, made no overt attempts to usurp political power. Many rivals within the party still held more important military commands, and Chiang needed their support. He also needed the continued help of the Russians, chiefly their advice, military supplies and knowledge of political organization and mass propaganda. Outwardly he continued to remain a warm convert to the Russian orientation.

Chiang's background, however, soon reasserted itself. By 1927 he was ordering the massacre of Socialists, Communists and Communist sympa-

thizers in the districts under his control. When, in April, 1927, Southern troops sacked Nanking, attacked foreign property and several foreign residents, and looted in the traditional pre-revolutionary manner, Chiang used the incident as an excuse to accuse the Communists of attempting to wreck the Kuomintang. He staged a counter-revolution, allying himself with Northern militarists and politicians, Chinese banking and milling interests in Shanghai and foreign capitalists.

After the massacre of Reds and Pinks at Shanghai and elsewhere, in which foreign police and Chinese gangsters participated, Chiang purged and reorganized the Kuomintang. At Nanking he established an anti-Red government with himself as political and military chieftain; it eventually managed to wreck the original Nationalist government at Hankow. The swing to the right pleased the foreign powers, and Nanking won their recognition. Chiang kept the name and semblance of Kuomintang organization, but he discarded most of its revolutionary principles.

Since then, the history of China till the Autumn of 1933 has been largely a record of Chiang's efforts to secure full party recognition for the legitimacy of his government, and to extend its control over larger areas of China. For duration and variety of dramatic incident, Chiang's enterprising fight to maintain his supremacy reads almost like an epic, for from certain viewpoints it does not lack the heroic quality.

The most serious crisis of the Nanking Government occurred in 1930 with the formation of the "Northern Coalition" at Peiping, headed by Leftist Wang Ching-wei. The "Christian" General Feng Yu-hsiang and the "Model" Governor Yen Hsi-shan started a drive against Chiang which al-

most succeeded. The long campaign taxed all Chiang's physical vitality. During the fighting I went to interview him at the front. I found him much aged since we had first met. He was worn, thin and nervous, and he seemed doomed politically. At last, however, intervention by Manchurian "Young Marshal" Chang Hsueh-liang saved him. Winning Chang to his side was Chiang's master stroke, but eventually the alliance cost the Young Marshal his rule over the 30,000,000 people of Manchuria.

On Sept. 18, 1931, the Japanese began their Manchurian campaign. Although Chiang Kai-shek at Nanking understood the real cause of Japan's action—the Young Marshal's move south of the Great Wall presaged a possible unification of China and Manchuria, which Japan could not tolerate—he made no effort to save his ally. Chiang's enemies now declare that he has long had a secret agreement with the Japanese to support him with money and munitions in Central China in return for his non-opposition to their program in the north. While that is most improbable, certain circumstances seem to suggest that Chiang and the Japanese general staff for some time have understood each other.

The Japanese invasion of Manchuria presented China with three possible lines of action. First, resistance on a national scale might have been organized. Second, direct negotiations could have been commenced at once for the settlement of all outstanding Sino-Japanese issues. While either of these policies probably would have eventually thwarted Japan's aims, their prosecution might have meant the downfall of the Nanking Government. That was a risk which the men in power did not wish to take. Instead, a third course was followed, the policy of inaction, submission and non-re-

sistance on a national scale, with responsibility shifted to the League of Nations—and Manchuria was lost.

Throughout the undeclared war with Japan, Chiang accomplished the feat of remaining Commander-in-Chief of China's armed forces without once personally commanding any opposition to the invaders. When, early in 1932, the Japanese invaded Chiang's own stronghold at Shanghai, he ordered no resistance. After the failure of his efforts to avoid that conflict, he moved the government from Nanking to Loyang, and for some time declined to become involved in the resistance made independently by the Nineteenth Route Army. Belatedly, he permitted two divisions of Nanking troops to go to Shanghai.

Although the government announced the adoption of a "resist-to-the-end" policy a few months after the Manchurian invasion, it was not acted upon at Nanking. Chiang did not mobilize his own troops for service in the North. He sent no guns, risked no airplanes with the "Volunteers" or the Young Marshal's Northeastern Army. When Iraer Mongolia was invested last Spring, Chiang still held aloof. Not till the Young Marshal, after the débâcle, was forced to retire did Chiang move his Southerners into Hopei and take control. He himself, however, remained in the South.

These facts indicate to some that Chiang is still the "regional-minded militarist," more intent on keeping his own power than saving China. They may also explain why Chiang so readily made peace with the Japanese military when he finally moved some of his own troops into North China.

Throughout the Manchurian hostilities Chiang maintained that the Chinese Reds were a greater menace to the nation than the Japanese. He buried himself in the provinces, with

some 300,000 troops supposedly fighting Soviet China. Although only a fraction of the money devoted to normal civil war was spent against Japan, enormous sums were used to build up Chiang's military units, to buy tanks, modern guns, bombing planes and so on, ostensibly for the purpose of suppressing communism, but principally to discourage the ever-rebellious Southern Generals.

These tactics have been of profit to Chiang. Today, although Japan has virtually annexed territory nearly trebling the size of her empire and the National Government at Nanking has lost its prestige, China's budget is balanced and her military position greatly improved. The loss of Manchuria, over which that government never exercised internal control, is no great blow. The change in North China, through the Japanese elimination of the Young Marshal's army, is perhaps a gain. It enhances unity under Chiang's mandate. Japanese troops now cooperate, as in the recent suppression of the revolt of Generals Fang and Chi, in the maintenance of Chiang's control there. The Communist threat has been minimized; what remains of Soviet China has become largely a needed buffer between Canton and Nanking. Moreover, Leftist opposition within the Kuomintang has been thoroughly tamed. Wang Ching-wei, once revolutionary godhead of the Kuomintang, now docilely resides at Nanking under Chiang's watchful eye.

From the people's viewpoint, however, Chiang's régime does not merit unqualified praise. Tragedy has accompanied its every move. Widespread famine conditions responsible for the loss, since 1928, of 2,000,000 lives, according to a conservative estimate, may be traced, apart from natural causes, to wars between militarists, to exactions and depredations of brig-

ands and unscrupulous officials, to the steady impoverishment of peasants everywhere by the rivalry of militarists, and to lack of elementary famine-prevention measures. In addition, probably 1,500,000 people have been slain by the combined efforts of the Communists and the government troops opposing them. An incalculable amount of property has been destroyed, including whole cities and districts ruined and depopulated. Economically and socially the country is worse off than it has ever been, while graft, bribery, nepotism, the sale of office and military domination of the courts continue.

Besides the territory seized by Japan, the Chinese Government lost its last vestige of control over Outer Mongolia, while Western Inner Mongolia seems destined to go the way of Manchukuo. The Anglo-Russo-Japanese "front" in inner Asia has moved into Chinese Turkestan (Sinkiang), which is now in revolt. Part of Szechwan has been occupied by the British-backed independent Tibetans. Szechwan, Yunnan and Kweichow Provinces remain in the hands of semi-brigand, militarist machines that are virtually autonomous, while the southwestern provinces are independent.

Nanking cannot be held responsible for China's cumulative disaster. All things considered, the present régime is probably a great improvement over those of the past. Areas under its direct supervision offer some exceptions to the evils mentioned; several thousand miles of roads have been constructed; considerable building has taken place; a great project in dike construction on the Yangtse has been completed. But the greater part of progress is the result of local efforts and often is achieved despite obstruction by the national government.

Although not reflected in the Japanese conflict, the chief advance at Nanking has been the creation of effective armed forces. Chiang Kai-shek's own large bodyguard and other troops are now superior in training, discipline, equipment and auxiliaries to any military unit in China. Other definitely Nanking troops, totaling perhaps 400,000 men, with commanders, like General Ho Ying-ching, personally allied to Chiang, are better trained and equipped than rival forces, and show the effect of four years of instruction under German military advisers. Nanking's air force has grown to include 200 modern pursuit craft and bombers, many airdromes have been laid out and a score of American pilots have been engaged to establish an aviation training school at Hangchow. New arsenals have been erected, tank corps organized and artillery units modernized.

Finances were long directed by T. V. Soong, Harvard graduate, and by far the ablest man at Nanking. Regarded by many as the savior of the central government, by others as the agent of China's ultimate ruin, he was Chiang's Man Friday. He induced the Shanghai bankers to give Chiang the first loans with which to set up in government, and devised ways and means of delaying bankruptcy. After six years, Chiang probably no longer needs Soong since the Shanghai bankers are already so deeply involved at Nanking that they must support the present régime to the limit. Nevertheless, the opinion has persisted that "if T. V. goes, Chiang goes."

Everybody agrees that Chiang has become "immensely wealthy." A comparatively poor man before his rise to power, he startled even blasé Shanghai when, a few years ago, he spent \$100,000 on his wedding to the sister

of T. V. Soong, pretty, Wellesley-educated Soong Mei-ling. He now owns costly and well-protected estates in Shanghai, Nanking, Kuling, Fenghua and elsewhere. He is said to own many blocks of real estate in the foreign settlements at Shanghai and big interests in cotton and flour mills. He frequently makes large personal donations to various causes, and in his monetary awards to loyal generals is often imperially lavish. When recently he wanted to buy a new air yacht, he chose Sikorsky's latest and bullet-proof model, which cost him over \$80,000.

With the growth of the Chiu Wang Hui (Save the Realm Society), otherwise known as the "Blue Shirts," Chiang is charged with using his political profits to perpetuate his control of a Fascist State. Chiang's "Blue Shirts" were organized in May, 1931, among the cadets of the Nanking Military Academy, and now have thousands of adherents, mostly among military officers. Their aim is to counteract Communist influences among the young, but chiefly to popularize the idea of government by a military dictator to replace the Kuomintang principle of democracy. If Chiang's triumph has any significance, it is that under him the outlook of the Kuomintang has moved away from its belief in liberalism. This is perhaps the logic of one-party government, which may require a dictator for success. But in China it also means that the realization of an enfranchised democracy or people's republic has been indefinitely delayed.

Favored by domestic circumstances and by an understanding with Japan, Chiang Kai-shek appears secure in his present position in the militarist system over which the Chinese people have been unable to devise any adequate means of control. Nanking's destiny is closely interwoven with

Chiang's, and it is difficult to imagine one surviving without the other. That is true, despite the dislike of Chiang among many Kuomintang party members, including men whom he himself has placed in office. Outside the party his enemies are, of course, legion, for in leading the crusades against communism he has probably been responsible for more deaths, as Mme. Sun Yat-sen has charged, than any other individual in modern Chinese history.

Certain members of the Kuomintang, familiar with Chiang, have criticized him to me for his bad temper, vindictiveness and at times rudeness and ill manners, which in Chinese eyes are grievous faults. He is thought to lack the warmth of personality and the great human qualities that make a popular leader. His un-Chinese candor undoubtedly creates enemies and wins and holds loyalties with difficulty. He speaks and rules boldly, dogmatically, dictatorially, and his reluctance to accept advice, even outside his military sphere, requires exceptional tact in those who must cooperate with him.

Many foreigners, nevertheless, have been impressed by Chiang as a soldier of great strength of will and purpose, working for the ultimate good of China. They believe that Dr. Sun Yat-sen would have, in the circumstances, sanctioned all his methods. Such foreigners consider Chiang to be the best man who has yet held the reins of government in China—a view shared by many of the Chinese bourgeoisie. To them the fact that Chiang has managed to maintain a government for over five years is proof enough of his ability.

He is particularly admired by Americans and Europeans in China who are interested in oil, munitions, machinery, tobacco and other branches of Western

business. Such men like the dispatch and authority with which Chiang works. "He means what he says," they aver, "and he keeps his word." They are impressed by his "essential soundness" in commercial and political transactions, as well as by his adroit grasp of the military situation. They admire him also as knight militant against communism and socialism in Asia, and his wars against the Chinese Reds in the provinces meet their hearty approval. They feel that he is fighting their battles as well as Nanking's.

Chiang has been accused unjustly of becoming a Christian largely for political reasons and to improve his standing with the foreign chancelleries. The gentle evangelism of his young Christian wife, Soong Mei-ling, was most likely responsible for his conversion. Chiang is devoted to her, and is said to have now adopted monogamy as the basis of his family life. Another reason for his turning Christian, some suggest, was his belief that he could use the Christian church in China to enhance the prestige of the Nanking Government. Having abjured Marxism and democracy, the Kuomintang needed something else to rally the people's loyalty. Loyalty to the State had been sadly lacking since the collapse of mass faith in theocracy, the bulwark of stable government till the end of the Manchu Dynasty. Buddhism and Taoism were hopelessly moribund; Christianity seemed to offer the solution, even if the foreign missionaries are now dismayed to find numbers of young Chinese hostile because they identify Christianity with the Kuomintang régime and Nanking propaganda.

Chiang, however, appears to take his new faith seriously. He says his

prayers regularly and attends church when in the city on Sundays. Sometimes, when time presses, he takes Kiang Chiang-chuan, a Methodist pastor, in his motor car, surrounded by scores of bodyguards, while he travels to his suburban villa at Tongshan. On the way Kiang, an old friend of Mme. Chiang sits between husband and wife and gives them a sermon or a friendly Christian talk.

While the years of struggle have increased Chiang's self-confidence, they have also softened his irascibility and weakened some of his prejudices. Once strongly imbued with a sense of Chinese superiority, he is now willing to learn from the West. On expeditions against the Communists, or on other duties, he is often accompanied by tutors who instruct him in economics, international law and related subjects. Mme. Chiang, who interprets for him the Occident which he has never seen, teaches him English, Western etiquette, psychology and music. The last he now tolerates, although he still regards foreign dancing as immoral.

Chiang will probably never be a great revolutionary figure. His traditional conservatism, strengthened by his acquisition of wealth and power, seems to have narrowed his social and political outlook. Perhaps China has had enough of revolution, and may now be ready to submit to the existing régime if it can offer security to property owners and a stable administration. The strange compromise in Chiang between ancient ways of thought and new may be essential for the leadership of a nation with one foot planted securely in medievalism and the other feeling for a stepping stone toward modernism.

The Turks Build a Nation

By ROBERT L. BAKER

THE Turkish Republic on Oct. 29, 1933, celebrated its tenth anniversary with the slogan, "A Century of Progress in Ten Years!"—an exaggeration, no doubt, yet significant of the way Turks feel about their achievements in such a short period. Reforms have been many and drastic, and they have affected religion, language, customs and habits, but they have been carried out with an almost complete absence of fanaticism. The Kemalist revolution, more often than not, has scorned intermediate steps toward its objectives, and cut many Gordian knots. It has even rushed headlong into economic changes against the advice of famous foreign experts.

In spite of all this there has been a cold, unemotional quality about the decisions of the Ankara régime that is unique. This realism is easily traced, of course, to Mustapha Kemal, Turkey's taciturn, determined and far-sighted President. He and his Premier, Ismet Pasha, are military men, and the government they established has functioned throughout the decade like a general staff. Reforms decided upon at headquarters were announced to the nation in clear-cut language, and they were enforced by what amounted to martial law. Hence many of them have been so forthright as to appear oppressive in foreign eyes. Persuasion has come later—in campaigns to popularize measures already taken. This method would have encountered serious resistance in most countries, but Mustapha Kemal knew his people.

They were illiterate but disciplined, and they had complete confidence in his judgment.

The objectives toward which Mustapha Kemal sought to lead the Turkish nation were set forth in his famous six-day speech before the Grand National Assembly in 1927. "To bring all the Turks in the world into one State," he declared, "is an impossible aim. Centuries of bitter blood-stained experience teach us this. History shows no example of the success of a policy of Pan-Islamism or Pan-Turanianism. The policy indicated for us by history and reason is a national policy; that is to say, first of all to aim at the true happiness and prosperity of the nation, not to weary the people with distant aims."

By pursuing this national policy, Turkey has transformed herself in a brief ten years from a semi-feudal Oriental country into a respected modern State, holding membership in the League of Nations and on excellent terms politically and commercially with all her neighbors. That career has been followed with astonishment everywhere, and throughout the Moslem world with an admiration that has been tempered only by regret that Turkey has chosen to abandon her leadership of Islam.

Mustapha Kemal, it is now realized, was forced to uproot the old system of life in Turkey before he could create one more suited to the demands of the twentieth century. Political, social and religious reforms that discarded old traditions and customs

were put into effect with vigor and apparently with complete success. The stifling grip which a corrupt and moribund religious system held on every activity of the people was thrown off. The Caliphate and the religious orders were suppressed, and though Turks remained Moslems, the clergy were restricted to their proper sphere. Western civil, penal and commercial codes replaced the outworn Moslem *Shariat*. Un-national Arabic influences were eliminated by the adoption of the Latin alphabet, the Western calendar, the compulsory use of Turkish in religious services and by the exclusion of Arabic words from the Turkish vocabulary. Turkish became a new language, a medium for simple but forceful expression. So proud of it were the Turks that its use was prescribed in commercial intercourse, even in cosmopolitan Istanbul. The fez, which Mustapha Kemal regarded as a symbol of Turkish backwardness, was banned. The veil disappeared, and more by encouragement than by official action Turkish women left the seclusion of the home to participate equally with men in the life of the nation. The right of wives to divorce their husbands and the ending of polygamy indicate how sharply the republic has broken with Moslem law. And, by the beard of the Prophet, there are policewomen in the new Turkey!

Less sensational than these changes, but no less important, is the program of economic reform that has occupied the Turkish people during the last ten years. The prospects of the newly created republic were truly dismal. Turkish manpower and resources had been drained to the point of exhaustion by twelve years of almost continuous warfare. In all these struggles except the final one with Greece for Western Anatolia the Crescent

had gone down in defeat. The richest parts of Asia Minor were little better than a desert after the Greeks retired. Railways not destroyed were in disrepair and the roads were almost impassable. Trade was dead and in many districts the population was on the verge of starvation. Looking abroad, only Soviet Russia was friendly, and her motives in helping Turkey in the war of liberation were open to suspicion. The great powers, especially Great Britain, regarded Turkey as somewhat mad and Mustapha Kemal as an irresponsible adventurer. Several small nations, whose economic plight was no worse than Turkey's, received reconstruction loans through the League of Nations. Turkey had to save herself.

Yet there were some grounds for encouragement. The new Turkey had gained in compactness and racial unity by the loss of Syria, Mesopotamia, Palestine and Arabia. The system of capitulations, by which foreign nationals had for centuries enjoyed immunity from Turkish law, had been suppressed with the reluctant consent of the powers in the Treaty of Lausanne. And Turkey alone of the defeated countries in the World War had not accepted a dictated peace. The French had been expelled from Cilicia; a powerful Greek army, equipped by Great Britain, had been driven back to its ships. The Allies had been unable to carry out their plan to internationalize Constantinople and the Straits. Though poor, Turkey was mistress in her own house as she had never been under the Sultans. Confidence and self-respect, such as Turks had not felt for generations, were born anew.

Rehabilitation proceeded slowly at first, because everything had to be done at once. A little more than a year was spent in perfecting the or-

ganization of the government, in disposing of the acute Caliphate problem, in studying the needs of the country and in adjusting the curious and delicate balance between dictatorship and democracy, as represented by President Mustapha Kemal and the Grand National Assembly. Many of Kemal's early associates fell by the wayside, either because they were not in sympathy with his program of creating a modern, secular, industrialized national State on the Western model, or else for personal reasons. As soon as the vital matter of control and unanimity of purpose was settled, with the reins resting securely in the hands of the President, development began in earnest.

Mustapha Kemal's chief concerns were the repair and construction of railways and the creation of an adequate army. It has even been charged that a disproportionate amount of the revenues have been devoted to these objects. Dr. Schacht and Dr. Mueller, who were asked to report on Turkey's financial program, charged that the railway system was planned for strategic rather than economic purposes. The new lines, however, connect the capital with the principal cities of Anatolia, link the trunk lines to ports on the Black Sea and the Mediterranean, and provide rail communication with agricultural, coal, oil and copper areas. Their economic value, therefore, would appear to be indisputable. Since 1923 several hundred miles of existing line have been practically rebuilt, and more than 1,500 miles of new railways have been completed, with about 1,000 miles still under construction.

Before the World War, the railways of Turkey were foreign-owned. German, British and French capital built about 2,000 miles of road under concessions over a period of sixty years.

After the war the British and French companies retained their lines, but the Anatolian and Baghdad Railways were taken over by the Turkish Government and operated for several years without the owners' consent. A settlement with the bondholders, however, was reached in 1928, when the government agreed to pay for the lines by annuities running until the year 2002. All the post-war railways are State property. They have been built by Belgian, Swedish and German contractors, and financed by treasury bonds, a certain percentage of which is scheduled for redemption from the public works appropriation in each year's budget. These payments were made regularly until Turkey began to feel the full effect of the depression. In 1932 the government was obliged to ask the contractors for a four-year moratorium on the bonds due.

But construction was not stopped, and to continue building the long-projected branch line to the rich Argana copper mines, owned by the government, a tax-free internal loan of 4,000,000 Turkish pounds was floated early in 1933. This was an innovation for Turkey, and as opportunities for private investment had been rare, the loan was quickly oversubscribed. More recently, the government awarded the contract for a railway from Sivas to Erzeroum to a group of Turkish contracting companies. The line will be 420 miles long and will cost 47,000,000 Turkish pounds. This was the first time that Turkish capital and enterprise succeeded in winning a large contract against foreign competitors.

The Turks are extremely proud of their new railways—tangible evidence, they feel, of their progress. While there are as yet not enough good highways to serve as feeders to the railroads, both the central government

and the local authorities are exerting themselves to bring about improvement.

In every budget since the establishment of the republic, defense has been the largest item of expenditure. The Ghazi, or Victor, as Mustapha Kemal is popularly called, has been naturally concerned with the problem of security. He had won Turkey's right to live by the sword, and he felt that she was justified in having a strong army and also a navy equal in strength to that of Greece. Yet the total amount spent has not been out of proportion to the forces maintained. In 1933-34, for example, Turkey will somehow manage to support an establishment of 140,000 officers and men on an appropriation of about \$20,000,000.

Among the special difficulties which had to be met in restoring the economic life of Turkey were those caused by the break-up of an old empire. For centuries Constantinople had been the administrative, financial and commercial nerve-centre of Turkey. For several years jealousy and lack of cooperation persisted between it and Ankara, the new capital.

Far more serious was the price Turkey paid for her ethnic unity. Nearly 2,000,000 Armenians had fled or had been expelled during and after the war, and as a result of the exchange of populations with Greece about 1,200,000 Greeks were lost. With the Armenians and Greeks went their wealth, a considerable part of Turkey's capital, as well as most of her manufacturers, merchants and artisans. In the old empire Turks had occupied the highest and lowest of stations. They had been soldiers, officials and, at the other extreme, peasants. Except in the Kaiseri district, they had shown little aptitude for business, which they left in the hands

of Levantines and Jews. This lack of experience in commerce, industry, banking and finance gave rise to one of Turkey's major problems, and one that persists today. Authoritarian control, with planning and supervision from the centre, was inevitable if a strong national State was to be created.

In 1925 the Grand National Assembly enacted a law for the encouragement of industry. Manufacturers were offered State land, exemption from taxes and permission to import free of duty such raw materials as were not available in Turkey. Factories established under the law were made subject to minimum requirements in regard to motive power, value of installation and payrolls. Three new national banks were established under government auspices to finance industry on favorable terms. When the 1927 census was taken considerable progress had already been made, but only 300 of the establishments reported could really be called factories. In 1933, however, according to a reliable estimate, the number of genuine factories had increased tenfold since 1927. The government has directly aided more than 2,300 factories since the law of 1925 went into effect. Not until the old commercial treaties lapsed in 1929 was the government in a position to give adequate tariff protection to the infant industries. Since that year production in all lines has risen sharply and there has been a corresponding decline in imports.

In 1934 Turkey is expected to produce and manufacture all she needs in sugar and silk and leather goods, all of which were formerly imported. Within a few years the manufacture of cotton and woolen fabrics will supply the domestic demand. Heavy industry lags, but even here the Turks are optimistic. The country possesses

both coal and iron, and under the supervision of German technicians steel rails, ordnance and even airplanes have already been produced. The Ghazi's goal of a self-contained Turkey should be reached in another decade. A new labor law, modeled on those of Western Europe, governs the relations of capital and labor, regulates hours of work, wages and other conditions. Labor unions in the Western sense have not appeared, though local associations of artisans exist.

Agriculture occupies four-fifths of the population. Here, it must be admitted, progress has been slow. Tools and methods of cultivation are still for the most part primitive. The chief step forward has been the abolition in 1925 of the traditional and oppressive tithe on farm products. This measure was such a relief to the peasants that they seem willing to wait patiently for more substantial assistance from the government. Agricultural schools and stations have been established and foreign experts engaged, but the great needs are irrigation, drainage and roads.

Banking, like commerce and industry, was largely in the hands of foreigners and Levantines before the coming of the republic. The only important Turkish financial institution was the Agricultural Bank. In 1924 its activities were extended to assist commerce and industry, and through its fifty-three branches it has been a powerful factor in furthering the government's policies. The banks founded under the republic also serve all parts of the country through their many branches.

After several years of discussion, and against the advice of a number of foreign experts, the Grand National Assembly in 1930 authorized the establishment of a Central Bank of the Republic. Modeled on the Reichs-

bank, it was opened on Oct. 3, 1931, with a paid-up capital of 15,000,000 Turkish pounds. Today it vigorously performs all the functions of a State bank and serves powerfully to insure the financial stability of the government. Turkish banking, however, in common with commerce and industry, is greatly hampered by the excessive profits tax of 11 per cent levied on all commercial banks. On the other hand, the Turks are beginning to be weaned of the Oriental habit of hoarding. A National Association for Economy and Savings was founded in 1929, and through its 210 branches savings accounts have been popularized to such extent that in the four years since the association came into existence savings deposits in Turkey have doubled.

The Turkish Government has resolutely followed the policy of living within its means. Since 1926 budgets have been balanced, though sometimes only by withholding payment on Turkey's share of the old Ottoman debt. Inflation has been steadfastly avoided. Since 1914 no banknotes have been issued except for replacement. The Turkish pound is consequently in a relatively sounder position than the currencies of neighboring countries.

The Turks are proud of their government's financial record, but they have had to make many heavy sacrifices for the sake of balanced budgets. In the days before the republic Turkish revenue was derived mainly from the agricultural tithe and the customs. The abolition of the tithe and the decline of customs receipts after tariffs were raised in 1929 necessitated new forms of taxation. Today Turkey is a much-taxed country. Little subtlety has been used in devising levies, and there are probably more direct taxes in Turkey than in any other country. In addition to land, income, stamp and other imposts

found elsewhere, Turkey exacts a "profits" tax, a "crisis" tax, a "balance the budget" tax on salaries and a "transaction" tax that affects all kinds of business dealings. The income tax has been raised twice since 1927.

Thoroughgoing economies have been made in recent budgets. Even the modest salaries of the Deputies have not escaped. Appropriations for defense, of great concern to the Ghazi himself, have been cut, and ambitious reclamation and development projects have been postponed till better times. Though taxes are high, the Turkish people can be thankful that the Kemalist régime is honest. The notorious corruption of the old days is gone. Turkey's civil service is competent and its integrity is unquestioned. Moreover, the torturous Ottoman debt question was finally settled in May, 1933, with a great victory for Turkish stubbornness and shrewd bargaining. The total was reduced from 107,000,000 Turkish pounds gold to 8,000,000 pounds. As the annuities are small, Turkey should be able to meet future obligations promptly.

Since 1929 the Ankara Government has been engrossed in working out a new deal for Turkish commerce. Imports had always exceeded exports, sometimes in the ratio of 2 to 1. Mustapha Kemal determined to relieve the country of this constant strain on its economic system, but action had to be delayed until Turkey was free of treaty engagements affecting her commerce. So it was not until 1929 that tariff reform was attempted. In that year exports were valued at 155,214,071 Turkish pounds and imports at 256,296,379 pounds. Duties were raised on an average of 33 per cent. The effect was immediate. In 1930 imports fell to 147,553,703 Turkish pounds, while exports amounted to

151,454,371 pounds. For the first time Turkey enjoyed a favorable trade balance. Since 1930 there has been a slight excess of exports each year. A further step was taken in 1931 by adopting a quota system that would divert Turkey's import trade to countries buying Turkish goods. Still another innovation was the conclusion of barter arrangements with certain countries. Among them was the agreement to exchange Brazilian coffee for Turkish tobacco and Soviet textile machinery for various Turkish products.

For the past three years Turkey's control over commerce has been experimental, and not always happy. The Turks, being inexperienced in the conduct of trade, have made regulations too hastily and have followed them too literally. The Ministries of National Economy, Commerce and Finance have shown, however, that they are willing to learn from their mistakes. If regulations have been hastily imposed, they have been relaxed almost as quickly when proved to be too oppressive.

No account of Turkey's republican decade would be complete without mention of the impressive advances that have been made in education, sanitation and public health, and in such outward evidences of modern civilization as the use of electricity and telephones. The visitor to present-day Turkey cannot appreciate these gains unless he knows what conditions were under the Ottoman Empire.

According to the Ministry of Education, the percentage of illiteracy fell during the decade from 85 to 40. This has been largely the result of teaching several million adults to read and write through the facilities offered by the People's Houses (the social and cultural clubs of the People's party) and the army, which provides instruc-

tion for illiterate recruits. The enrolment in schools has doubled in the primary grades and grown sixfold in the upper schools. The education of girls has been specially encouraged. In the secondary schools, for example, the number of girls increased from 541 in 1923 to 7,511 in 1932. Instruction has been centralized under a special Ministry, which is advised by foreign experts, and the curricula have been secularized. Even small towns now have libraries, museums and reading rooms.

Progress in sanitation and public health glows through the dull medium of statistics. Towns with water conduits have increased from 20 to 185; those possessing abattoirs from 17 to 143. The number of hospitals has increased from 9 to 33. Orphanages, dispensaries, clinics, sanatoria and crèches have been established with public funds, and millions of Turks have been examined and treated for malaria, trachoma and other diseases. The well-being of industrial workers is safeguarded by a law requiring factories that employ 50 men or more to provide the services of a doctor, and factories with 100 or more employees to provide an infirmary. There are today hundreds of new parks, playgrounds and athletic fields to afford facilities for healthful recreation to the youth of the country. In 1923 only one town possessed a telephone system; today there are thirty such towns. The number of towns using electricity has grown from four to

ninety-seven. Hundreds of miles of sidewalks have been laid and the paving of streets in Turkey's formerly untidy cities and towns is progressing rapidly.

Most of these improvements have come about as a result of the Law of Municipalities, which required each town to elaborate a town-planning program. The influence of women in civic development was assured by giving them the right to vote in municipal elections and to hold office in the communes. A Bank of Municipalities has recently been authorized to assist in the financing of local construction projects.

Turkey could undoubtedly increase the tempo of her development with the aid of foreign loans, but her leaders have not forgotten the abuses of loans and concessions under the empire. They are so jealous of Turkey's freedom of action that the fear of foreign influence amounts to an obsession. Ismet Pasha declared in 1929 that the Turkish people "would rather suffer privation longer than mortgage the future of the country." This view is still held at Ankara, and the restrictions imposed on foreign capital remain almost prohibitory.

The Turkish nation is proud of having achieved so much by its own efforts and resources. It seems likely that the republic will continue on its independent path. Progress may not be as rapid without the foreigner's money, but it will be Turkish. In that thought Turks can be content.

Canada's Party of the Left

By WILFRID EGGLESTON

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ONE result of the economic depression in Canada has been the emergence of a new political organization which proposes to do battle with the two historic parties, Conservatives and Liberals, for the right to form the next government of the Dominion. Known as the Cooperative Commonwealth Federation, it is broadly socialistic in many ways, yet clings to capitalistic individualism in the agricultural sphere at least. Although it was founded a little over a year ago, it has already enrolled sufficient supporters to perturb both major parties. The list of organizations affiliated with the new federation is certainly impressive. Impartial observers concede that unless times improve speedily between now and the next election the C. C. F. probably will elect enough members to hold the balance of power in the next House of Commons.

The appeal which the C. C. F. makes to the electorate of Canada is based on the argument that Liberals and Conservatives alike have become the agents of the financial and business interests, which really govern Canada, and that only in the birth of a people's party and the substitution of a planned economy concerned with providing for human needs rather than with making profits is there any hope of ending the injustice and inhumanity of present conditions. "The present order," the C. C. F. manifesto declares, "is marked by glaring in-

equalities of wealth and opportunity, by chaotic waste and instability; and in an age of plenty it condemns the great mass of the people to poverty and insecurity."

To the name of the organization the founders added the words "Farmer-Labor-Socialist," to indicate the principal roots of the new movement. Since then there have been other accretions of strength, and at the present time it is possible to discern the following groups of supporters:

First there is organized agriculture. From time to time in the past farmers in Ontario and the Prairie Provinces have organized in opposition to what they felt to be subjection and exploitation by the banks, the grain merchants and the Canadian Manufacturers Association. The Patrons of Industry and the Grange, in Ontario, were followed by the United Farmers of Ontario, who succeeded in 1919 in electing a provincial government which lasted four years. But since then their political power has waned sadly, though their business enterprises are still alive, and they have an organization covering the province. On the prairies organized agriculture created the United Farmers of Manitoba, the United Farmers of Canada, Saskatchewan Section, and the United Farmers of Alberta. The Province of Alberta at present has a farmers' government, while Manitoba has a Farmer-Liberal government with a farmer as Premier. In Saskatchewan, where the farm movement until recently kept out of politics, the present Ministry is Conservative. In these four

provinces, comprising two-thirds of agricultural Canada, the organized farmers have elected to throw in their lot with the C. C. F.

Although the Trades and Labor Congress, the most influential trade union organization in Canada, recently decided to take no part in politics, the sympathies of its leaders and probably of a majority of the rank and file are with the new political movement. In addition the C. C. F. has accepted as affiliated bodies the Socialist party of British Columbia, the Canadian Labor party of Alberta, the Labor party of Saskatchewan, which has united with organized agriculture to form a Farmer-Labor party; the Independent Labor party of Manitoba, the Labor Conference of Ontario, the Labor party of Quebec and the Farmer-Labor party recently formed in New Brunswick.

The third group supporting the C. C. F. embraces the intellectual radicals, most of them connected with Canadian universities. Realizing that thousands of Canadians who believe in the creation of a new social order have hitherto been unable to take direct part in politics because they were government employes or engaged in occupations in which political activity would be, to say the least, indiscreet, a group of college professors about two years ago formed the League for Social Reconstruction. The founders thought of it as a kind of Canadian Fabian Society, and hoped that it would become the training ground for the leaders of the new political movement. The league has appealed to the more radical element in all the larger seats of learning, and its clubs are now to be found from coast to coast. Because of its nonpartisan nature it has been unable to affiliate with the C. C. F., but it is very active behind the scenes. It was a committee of col-

lege professors, who were members of the league, that drew up the C. C. F. platform and manifesto. "Woods-worth's Brain Trust," as a section of the Canadian public derisively calls the committee, has since been busy preparing a comprehensive textbook on the Cooperative Commonwealth, *Reconstruction: A Plan for Canada*, which is regarded by the C. C. F. as a set of blue-prints for use by the youthful and enthusiastic architects of a new Dominion whom they propose to elect to office.

Certain sections of the church in Canada are also actively showing their sympathy with the new political movement. As far back as May, 1931, the Alberta conference of the United Church passed a resolution calling for the transformation of the present competitive system into a cooperative one. The Toronto conference of the same church adopted a similar resolution a few months ago, and in fact it may be said that the more radical or progressive members of all the Protestant churches in Canada give the C. C. F. their blessing. On the other hand, this has alarmed some of the more conservative church leaders, and the cry has even been raised that Soviet agents are using the church in Canada for the purposes of propaganda. The Catholic Church has been inclined to reserve judgment. C. C. F. leaders repeatedly quote from a recent encyclical of Pope Pius to illustrate his socialistic sympathies, but it is significant that a prominent prelate of Quebec has denounced the new movement as likely to augment rather than diminish the present misery in Canada.

The C. C. F. finds another source of strength in the unemployed, who number at least 500,000 strong, and who with their relatives of voting age represent perhaps 1,000,000 votes

in a population of 11,000,000. Since the depression began at least 100,000 young people have attained voting age without even the slimmest prospect of earning a livelihood. These people have little to lose from the most drastic changes in the social scheme, and if an election were held today it seems probable that the vast majority of them would be inclined to gamble on the promises of the C. C. F.

Finally, there are those idealistic citizens, hundreds of thousands of them, who are not party men and women, who in uneventful elections do not even vote, but who become fired every decade or so with the dream of a new era and the abolition of what they regard as the whole sordid and scheming political system. It was this vast silent body that in 1919 swept the Conservatives out of office in Ontario and the Liberals out of office in Alberta. Two years later they swamped the Meighen administration at Ottawa and sent sixty-five crusaders to the Dominion Parliament, dominating it for four years and exercising considerable influence for another five years. The "Progressive" drive of those days collapsed completely except in Alberta and Manitoba, but the almost religious intensity of that rebellion against the two old parties illustrates what could easily happen again.

The outstanding figure of the C. C. F. is James S. Woodsworth, its founder and first president. A former minister of the gospel, he has been a social worker, longshoreman, author, lecturer and Labor Member of Parliament. Since his college days he has been a humanitarian, pacifist, rebel against social and economic iniquity and advocate of social reform. He left the Methodist Church as a protest against the military spirit it displayed during the war; he was dismissed from his post as director of the Bu-

reau of Social Research of the Prairie Provinces for publicly denouncing conscription; he was thrown into jail during the Winnipeg strike of 1919 because as editor of the strikers' paper he was charged with seditious libel; he was compelled to seek his livelihood as a dock laborer at Vancouver. Elected to the Dominion Parliament in 1921, he has since used his seat to preach social revolution.

The idea of a Farmer-Labor revolt against big business through a people's party had been taking shape in Woodsworth's mind for several years. About him in the House of Commons, from the day he first took his seat, there had been a little handful of members sympathetic to his views. From 1921 to 1925 the "third party," the Progressives, numbered 64 in a chamber of 235 members. Their power declined abruptly in 1925; most of the Progressives elected in that and the subsequent year were absorbed by the Liberal party, but a recalcitrant group persisted in maintaining their identity and independence. In 1930 there were 21 left—Woodsworth and two other Labor members, 11 members of the United Farmers of Alberta, plus the remnants of the United Farmers of Ontario and the Progressives. Just before dissolution in that year the 21 members met and formed a loose organization of Farmer-Labor forces, which they, abandoning the name "Progressive," called the "Cooperating Groups." At the election they expected to be returned in substantially greater numbers, and, if the Liberals and Conservatives were evenly matched, to hold the balance of power. But the election on July 28, 1930, resulted in a landslide for the Conservatives under R. B. Bennett, who won 138 out of 245 seats, while the "Cooperating Groups" saw their numbers reduced to 15.

Meanwhile, economic conditions, serious enough already, grew infinitely worse in the two following years. The number of unemployed rose to 750,000 and the number of persons receiving relief to 1,400,000. The Beaurnois scandal was interpreted by the Independents as indicating that the Liberals had sold themselves to the power interests for campaign funds, and the readiness of the Conservatives to give the Canadian Manufacturers Association whatever tariff benefits they asked for was regarded as illustrating a similar subservience to the privileged classes. While Woodsworth and his dozen colleagues denounced these things in the House of Commons they awaited an opportunity for more effective action. In the Spring of 1932 Woodsworth believed the time had come to strike. Calling together the members of the "Cooperating Groups," he proposed the formation of a new national organization to enter the political field and oppose Liberals and Conservatives alike for control of the House of Commons and ultimately the whole of Canada. It was finally decided to meet at Calgary, Alberta, on Aug. 1, 1932, to take the formal action necessary to set up a national Farmer-Labor federation.

In preparation for this meeting a series of conferences was held in various parts of the west which encouraged Woodsworth and his colleagues to aim high. The first conference, held at Edmonton in June, was attended by the executives of the United Farmers and Farm Women of Alberta, the nine U. F. A. members of the Dominion Parliament and the Alberta U. F. A. Cabinet headed by Premier John E. Brownlee. The conference embodied its conclusions in a ten-point manifesto based on the ideas of the United Farmers of Alberta which had been

developed in the previous twenty years and which had been endorsed at their annual conventions. There was a striking similarity between these conclusions and the platform adopted a year later by the C. C. F.

The second conference, held at Saskatoon, Saskatchewan, and attended by delegates of the United Farmers of Canada, Saskatchewan section, and the Independent Labor party of Saskatchewan, decided not to merge the two organizations but to act in provincial politics under a common leadership.

The third conference, held at Calgary at the end of July, was that of representatives of Labor and Socialist bodies of the four Western Provinces, and was actually the annual affair known as the Western Labor Conference. Its chief function was to consider plans for common political action in the federal sphere, and it adopted practically as it stood a manifesto previously prepared by the Independent Labor party of Manitoba. When this conference had been sitting for two days it was joined, on Aug. 1, by representatives of the United Farmers of Alberta and the United Farmers of Saskatchewan. The conference now embraced the labor parties of four Provinces and the organized agrarians of two, all of them west of the Great Lakes. At this stage, on the day that the C. C. F. was born, Eastern Canada was not represented.

In the year that passed between the formation of the C. C. F. and its first annual convention, the movement spread until it became national. The farmers of Manitoba in annual convention voted to affiliate, and so did the United Farmers of Ontario. The organized Farmer-Labor groups in New Brunswick joined later, and so

did the Labor party of Quebec. In the provincial elections in British Columbia in November the C. C. F. polled 91,584 votes, as compared with the 115,417 votes cast for the Liberals, who will form the next government. Conservatives, mostly running as Independents, polled only 56,830 votes.

The most striking event in the history of the C. C. F. to date has perhaps been the national convention at Regina in July, 1933, when 135 delegates from six Provinces were present. This convention adopted a manifesto and program prepared by a committee of professors in Canadian universities, and however visionary that document may appear to be, it is generally conceded to be able and comprehensive. In order to create a "Cooperative Commonwealth," the promoters propose to socialize all financial machinery and all essential industry, to lift the tariff burden from the farmer, to regulate imports and exports, to set up a national labor code, to socialize health services, to abolish the Canadian Senate, to repeal all legislation which threatens freedom of speech and assembly, to humanize the prisons, and for the emergency of the moment to provide an extensive system of public works, including slum clearance and housing projects, reforestation, rural electrification and elimination of grade crossings.

The obstacles which the C. C. F. faces are enormous. Even if they succeed beyond their wildest dreams in winning a clear majority in the House of Commons, their troubles would only be just starting. They would be in the anomalous position of attempting to operate a capitalistic system under quasi-socialistic principles. They would discover arrayed against them a hostile Senate, which could veto all of their legislation. They would find the Provinces, especially Quebec, vast-

ly alarmed about the rights and privileges guaranteed to them under the Constitution. They would probably be opposed by the Catholic Church and some sections of the Protestant Church. The civil service, appointees in many cases of the two historic parties, could, and probably would, add to their embarrassment. Perhaps the most formidable of all obstacles lies within their own ranks. The C. C. F. is attracting an army of cranks, doctrinaires and adventurers, and is threatened already with internal dissension. If it came into power it would be sadly handicapped by its lack of experienced administrators and executives.

But the greatest difficulty would arise from the inconsistency on which the C. C. F. is based. At heart the farmer, with all his socialistic theories, is a passionate believer in the undisputed ownership of his farm. In deference to these sentiments the C. C. F. promises to leave the farmer undisturbed in his occupation of land, while proposing to socialize all other essential industry. There are, moreover, numerous differences between the farmer and the organized laborer which will require a great deal of adjusting. Labor codes, unemployment insurance, workmen's compensation and other forms of social legislation cost money, much of which is extracted from the farmer by indirect taxation, but so far no way of extending these benefits to the farmer has been discovered. Many critics do not believe that such conflicting elements as the individualist capitalist land-owner-and-employer and the cooperative Socialist employe-and-wage-earner can be persuaded to march shoulder to shoulder toward a common goal. The real test of the C. C. F. will come when such issues as these are squarely joined.

The Economic Crisis in France

By ROBERT VALEUR

[Mr. Valeur is a Frenchman who has been a member of the law faculty of the University of Lyons and is now teaching economics at Columbia University.]

THROUGHOUT the course of the world economic crisis, the position of France has been enviable. When the rest of the world seemed on the verge of bankruptcy, France remained quite prosperous. Though in 1932 industrial activity slumped badly for a short time, in 1933 business seemed to pick up. Yet France has her troubles too, for statistical evidence of economic improvement did not tell the whole story and left unanswered the riddle of the growing unrest among the French people in the Summer and Fall of 1933.

Taxpayers and retailers in various cities staged demonstrations in protest against excessive taxation. In August a serious strike took place in the building trades in Strasbourg and soon spread to all trades and municipal services, because of the encouragement given to the strikers by the Communist Mayor of the city. In the same month disturbances occurred on various rivers and canals where horse-drawn barges attempted to obstruct the movement of the motor barges with which they are unable to compete. In November thousands of miners and farmers marched into dozens of cities to protest against the existing economic order. Hunger demonstrations were staged in front of the Chamber of Deputies. The public school teachers, who hold radical views and disseminate disruptive social and economic theories among

their pupils, voted to spread anti-patriotic propaganda. Numerous newspapers began to publish impressive advertisements urging the owners of automobiles to protest against the proposed tax increases.

If the instability of French Cabinets was an indication of a crisis, it was undoubtedly true that France reached the bottom of the depression in 1933. In that year four Prime Ministers successively tried to solve her problems. This series of Radical-Socialist governments, always lacking in a clear majority in the Chamber of Deputies, had to flirt with both the Socialists and the Centre for support and so was unable to adopt the drastic measures required to balance the budget, which has been showing an increasing deficit since 1931.

Once before, in 1926, half a dozen Cabinets succeeded one another; a new Minister of Finances was tried nearly every month, and still the budget could not be balanced. Worst of all, the decline of the franc could not be checked. Yet, in less than two years, Poincaré was able to show a surplus on the budget and make it possible for France to return to the gold standard.

France today, as in 1926 and in 1930, is economically sound. In the post-war decade there was no over-expansion of her industries, but steady progress. Furthermore, a balance was maintained between industry and agriculture. Nor does under-consumption present any great problems, because in France wealth is more evenly

distributed than in any other capitalistic country and the mass of the people have adequate purchasing power.

Although France is far more self-sufficient than either Great Britain or Germany, she has to buy large quantities of raw materials abroad—one-third of the coal, practically all the fuel oil, all the non-ferrous metals except aluminum, all the rubber, a great deal of lumber, most of the wool and raw silk and all the cotton which she requires. To pay for these imports, France has to export large quantities of manufactured goods, mostly textiles and chemicals. She also exports normally a large part of her finest agricultural and dairy products, and even raw materials, since she has a surplus of iron ore and bauxite. The world-wide reputation of the French good taste assures her luxury trades a profitable market in other countries.

Exports, however, seldom equal imports, and France usually has to rely on the invisible items in her international balance of payments to offset the debits. During the post-war decade, the tourist trade was by far the most valuable of these invisible items, with a net profit averaging \$300,000,000 a year. In the same period, France made an average of \$120,000,000 yearly from shipping and transit services. To these figures should be added the interest on credits held abroad and the incoming reparation payments, which exceeded outgoing debt payments by an average of \$80,000,000 a year. Altogether, the French balance of payments, before the depression, is estimated to have been \$400,000,000 on the credit side.

France is so well balanced economically that it is reasonable to believe that she would not have felt the depression so acutely in the last two years if it had not been for world-

wide conditions. The fact that her prosperity lasted longer than that of any other country meant that domestic prices, and in turn domestic costs of production, remained at a high level. But when practically the whole world went off gold, France, with the most stable currency of all, was left with a high cost of living which increased relatively to world prices as the dollar went further down.

This widening gap between French production costs and world prices is well illustrated by the French index of wholesale prices of domestic commodities and the index of wholesale prices of foreign products imported into France:

Year.	Domestic Imported		Retail Prices.
	Commodities.	Commodities.	
1913	100	100	100
1928	619	660	...
1929	635	602	604
1930	591	458	606
1931	527	344	599
1932	528	339	557
1933*	440	270	515

*Estimated.

The situation was aggravated by the fact that, as always when wholesale prices decline, retail prices lag behind. This is shown in the third column of the table above, which gives the index of average retail prices for all cities, except Paris, with a population of 10,000 or more. In Paris the index of the average budget of a family of four, as calculated by the Paris Regional Commission, was 519 in 1928, 556 in 1929, 581 in 1930, 569 in 1931, 525 in 1932 and approximately 523 in 1933. This shows that the cost of living in 1933 was higher than in 1928, when France was still feeling the effects of the post-war inflation. As prices did not rise as quickly as the value of the franc declined in terms of gold currencies, foreigners in France enjoyed a relatively greater purchasing power than French people abroad; this stimulated

French exports, visible and invisible. In 1933 the reverse held true. France now had a currency with a high purchasing power abroad, while foreign countries had depreciated currencies with which they could not buy goods manufactured in a country where production costs were not substantially lower than in 1928.

This reversal of France's position soon made its mark on her balance of trade. In 1927, when domestic prices were not yet adjusted to the 80 per cent depreciation of the franc, exports exceeded imports by 3 per cent in value; in 1928 imports exceeded exports by 4 per cent; in 1929 this unfavorable balance had increased to 14 per cent, in 1930 to 19 per cent, in 1931 to 28 per cent, in 1932 to 34 per cent and in the first ten months of 1933 to 36.5 per cent. At the same time total exports declined absolutely to a tremendous extent. In 1932 French exports were only 65 per cent of the 1931 total and 45 per cent of the 1930 total. The first ten months of 1933 revealed a further loss of 7 per cent in exports as compared with the first ten months of 1932. Altogether, in the four years of world depression, the French trade balance was on the wrong side by 40,000,000,000 francs (\$2,500,000,000 at the present rate of exchange). It might seem that this decrease results from France's specialization in luxury products, the first that are likely to be affected by an economic depression. But analysis of the figures shows that exports of ordinary wines, low-grade textiles and heavy metallurgical and mechanical products have diminished much more than those of old vintages, expensive fabrics and higher-priced automobiles.

Even though French foreign trade could not have remained immune to

the world depression, the decline in the past three years is largely attributable to the government's unwise commercial policies. For instance, the liberal attitude on tariff questions, adopted by France after the Geneva Conference of 1927, when she initiated a contractual tariff policy in the commercial treaty concluded in the same year with Germany, was soon abandoned. Agreements granting most-favored-nation treatment were also thrown overboard. These measures could not be expected to increase her exports.

In desperation, the attempt to establish a favorable trade balance was shifted to limiting imports—the policy of import quotas was resorted to. Its chief advantage is that it limits imports without having to go through the difficult and uncertain procedure of revising commercial treaties. But it unfortunately provokes retaliation by the countries whose exports are put on a quota basis. France, it is true, has reduced her imports considerably, but her exports have declined to an even greater degree.

France has also reduced her imports by imposing a surtax on goods imported from countries with depreciated currencies. The first use of this method was the decree of Aug. 1, 1931, in the case of Spain, although an accord signed with that country on Oct. 23, 1931, lifted the tax. After England went off the gold standard, a decree on Nov. 12, 1931, of 15 per cent ad valorem placed a surtax on imports from England, Argentina, Australia, Canada, Denmark, Egypt, Finland, India, Mexico, Norway, Sweden and Uruguay, all of which had depreciated currencies. France, however, in her desire for American goodwill did not apply the surtax to American imports when this country abandoned the gold standard. The British

Government thereupon protested that this was unfair discrimination and, on Nov. 22, 1933, threatened to apply to French imports a 21 per cent surtax if France did not abolish her own surtax. There is no better illustration than this of the futility of the economic warfare resulting from the depression.

The unfavorable French trade balance has been partly offset by invisible exports, but these, too, have declined substantially in the past three years. The tourist trade, which in the post-war decade was the most important of these invisible items, has suffered enormously. Foreigners visiting France numbered 1,800,000 in 1930, as against 1,500,000 in 1931, 994,000 in 1932, with a still smaller figure in 1933. As a result the French international balance of payments, which had been very favorable until 1930, revealed an excess of debits over credits of 3,000,000,000 francs in 1931, 4,800,000,000 francs in 1932, and about 6,000,000,000 francs in 1933, a total of 13,800,000,000 francs.

Under such conditions France should have exported gold in the past three years. Instead, there was a continuous flow of gold from abroad into the vaults of the Bank of France. The stock of gold held by the bank, which amounted to 53,578,000,000 francs on Dec. 31, 1930, increased to 68,481,000,000 on Dec. 31, 1931, and to 83,129,000,000 on Dec. 31, 1932, decreasing slightly, however, to 79,282,000,000 on Nov. 25, 1933. In the past three years, therefore, France has added 25,704,000,000 francs to her gold holdings, without taking into account the gold in the hands of private banks and individuals. If we add the deficit of 13,800,000,000 francs in the French international balance of payments in the same period, which normally should have led to the outflow of a

similar amount of gold, we have to account for about 40,000,000,000 francs, that is, half the gold held by the Bank of France today. In 1931 and 1932 the Bank of France and the French Treasury liquidated 24,194,000,000 francs' worth of foreign drafts and short-term credits held abroad. On Dec. 31, 1932, this left only 4,539,000,000 francs' worth of such paper, the approximate amount kept during 1933 for current needs. It may therefore be estimated that over 15,000,000,000 francs of gold held by the Bank of France represents foreign capital which sought refuge in Paris after most countries went off gold.

Nevertheless, about 64,000,000,000 out of 79,000,000,000 francs of gold in the Bank of France is French capital. If all the gold representing foreign capital were withdrawn from France and if the yearly deficit of the French balance of payments is to continue at the present rate of about 5,000,000,000 francs a year, it would be about seven years before the gold holdings of the Bank of France fell below the 35 per cent legal backing required for a currency circulation amounting now to 82,000,000,000 francs. In other words, it would in the normal course of events require seven years for France to be forced off gold.

With such an enormous reserve of gold and a relatively small yearly deficit in the balance of payments, France can hardly be in a desperate economic situation. She suffers only because her foreign trade has been hard hit by the depression. For example, the Lyons silk industry, which depends largely on exports, had an average monthly production of 403 tons in 1930, of 297 tons in 1931, of 191 tons in 1932 and a total of 227 tons in September, 1933. Steel production averaged 787,000 tons a month in 1930, 625,000 tons in 1931,

467,000 tons in 1932 and totaled 564,000 tons in August, 1933. Coal production has declined only 15 per cent, while the important woolen industry of the three great centres of Roubaix, Tourcoing and Mazamet in July, 1933, passed its average monthly production of 1930, thanks to the high quality of its products and an intelligent price policy.

Unemployment in France has for these reasons never been serious. It reached its record figure in 1932 with a monthly average of 273,810, and on Oct. 21, 1933, was only 231,755. These low figures are partly due to the fact that the contracts of employment of hundreds of thousands of foreign workers who went to France after the war were not renewed as the depression set in. In 1933 alone, no fewer than 200,000 of these workers are estimated to have left France. On the other hand, French unemployment statistics include only those who are wholly unemployed, and French industry during the past three years has very largely been carried on by part-time workers. In 1932, for example, 49.8 per cent of the workers were partly unemployed, though in 1933 the number dropped to 36 per cent. As French wages are normally low, the situation has caused much hardship and privation, but so many French workers are really uprooted peasants that they usually have relatives among the farmers to whom they can go for work and assistance.

Until the Summer of 1933, the French farmer fared very well in spite of the depression, for agriculture is so highly protected that it hardly feels the effects of a world overproduction of grain. By the law of May 20, 1930, the customs duty on wheat was raised to 80 francs a quintal (about 85 cents a bushel at par). Favorable climatic conditions were responsible for a very

good crop in 1932 and for an exceptional one in 1933. France now has a surplus of about 70,000,000 bushels of wheat, whereas in the years before the depression she had to import about a tenth of the wheat she needed. Wheat prices, kept up only by the tariff, crumbled and Parliament passed the law of July 10, 1933, fixing the price of wheat at 115 francs a quintal (about \$1.28 a bushel at par.)

The farmers, however, need money so badly that they continually evade the law by selling their wheat as low as 90 francs. Since the price of bread has been kept high on account of the price of wheat, the law works mostly to the benefit of the middlemen. On the other hand, the prices of other cereals have not been fixed, and the farmers, therefore, are increasing the area seeded to wheat instead of oats, rye and barley. The situation had become so serious that the government asked Parliament in the middle of October to impose a tax of 500 francs on every hectare (about \$7.93 per acre at par) seeded to wheat which had not been devoted to wheat production for three years. Yet one bad crop would be enough to use up the wheat surplus of 1932 and 1933.

Cattle farmers have also suffered, not so much through the decreased purchasing power of the consumers as from the reluctance of middlemen and retailers to cut prices. As for wine-growers, they had a bad crop in 1932, which gave further impetus to competition by Algeria. The crop of 1933 was better, but France, the largest wine producer in the world, is also the largest importer of wines. Her relatively cold climate gives a low alcoholic content to some of her wines, which have to be "cut" with stronger wines from Spain, Italy and Greece. France, after being the second largest wine exporter in 1932—and far behind

Spain—occupied only the fifth place in 1933, with Spain, Italy, Portugal and Greece all ahead of her.

Nevertheless, the condition of French agriculture is far from desperate because of the remarkable self-sufficiency of the peasants. Yet bad conditions in the wheat, cattle and wine areas react unfavorably upon industry by reducing their purchasing power. This had much to do with the relapse suffered by French industries in the late Summer and Fall, though it was partly offset by the development of motor-bus transportation, which in the past few years has made it easy to go to the city and succumb to the temptation of buying ready-made clothes and noisy radios.

Far more serious than the condition of either industry or agriculture is France's budgetary situation. The Ministry of National Union organized by Poincaré in 1926 increased taxes to the limit. In 1927 the per capita burden of taxation in France was \$57.30, as compared with \$77.50 in the United States, but the per capita income in France is one-third of what it is in America. In spite of an 80 per cent depreciation of the franc, the burden that the war left the government to bear still represents about one-third of all public expenditures. French taxpayers may have been willing to give their lives for their country, but they object to sacrificing their money. A relatively slight cut in their incomes led to a nation-wide outcry against the lavish expenditures of a government which, in fact, does not imitate the financial conservatism of the French household. It is estimated that one-half of French private incomes has hardly decreased in the past three years, while the other half has suffered a 35 per cent reduction.

The reaction against paying already excessive taxes has expressed itself

in fiscal evasion on a grand scale. In 1932 tax receipts fell off and governmental expenditures rose to such an extent that the Treasury had to borrow 17,000,000,000 francs, and in 1933 an additional 15,000,000,000 francs. The new burden resulting from the interest on these loans has more than offset a yearly saving of 1,050,000,000 francs achieved through the conversion of government bonds in September, 1932.

While other expedients were resorted to, some of them worthy of a Central American republic, such as the organization of a national lottery, an energetic campaign was launched against fiscal evasion, especially by automobile owners. Nevertheless, a deficit of 3,600,000,000 francs for 1933 had to be carried over to the 1934 budget, which provided for additional expenditures of 2,900,000,000 francs and for a decrease in receipts of 1,218,000,000 francs. The three items made a total deficit of 7,718,000,000 francs for the 1934 budget, but economies brought it down to 6,000,000,000 francs.

An important factor in creating these difficulties of French public finance is the cancellation of German reparations at Lausanne. Although France has so far refused to carry out the Mellon-Bérenger agreement funding her debt to the United States and has stopped paying instalments on her war debt to Great Britain, she still loses by the deal. Every year she received about 2,000,000,000 francs more from Germany than the amount she had to pay to the United States and Great Britain. France's budget deficit was also increased by outlays for social insurance.

The Daladier government presented to Parliament in October a long and carefully drafted bill calling for increased taxation and for decreased ex-

penditures. It proposed a 15 per cent tax on interest and dividends from all securities with the exception of French Government bonds. These bonds represent 300,000,000,000 francs and yield an annual income of 12,000,000,000 francs, which is about half the total income from securities in France. The proposed tax would consequently be ineffectual, and naturally the capitalistic interests of the country oppose it as unfair discrimination between government bonds and industrial securities. On the other hand, the bill proposed a minimum 6 per cent cut in the salaries of all government officials. It was on this issue that the Daladier and Sarraut Cabinets were overthrown. The French civil servants number over 1,000,000, and have enormous electoral influence which few Deputies are willing to antagonize. The Socialists were particularly opposed to such a measure and instead advocated inflation to solve the problem. On Dec. 8, however, they withdrew from the budget discussion, which enabled Premier Chautemps at dawn on Dec. 11 to get the whole budget through the Chamber. Doubtless, the fear of inflation was a strong incentive to Deputies to vote unpopular taxes.

Inflation, which is now becoming an outstanding issue in France, is so far advocated only by the Socialists and by those economic interests which depend on foreign trade and the tourist business. Since the depression in France is almost wholly due to the decline of exports and the tourist trade, inflation, combined as it always is sooner or later with the abandonment of the gold standard, would no doubt help to bring about recovery. But the French people have not forgotten the dark years of the post-war inflation when they lost four-fifths of

all their savings. A new inflation would arouse those whose income is derived from government bonds, and since the Radical-Socialist majority represents the thrifty middle class, it cannot take such a step.

Other measures have been proposed to improve French foreign trade. In 1932, France's trade with her colonies amounted to 25.1 per cent of her total external trade as against 19.6 per cent in 1931. Algeria, in 1931 her fifth largest customer, now holds the first place. The government accordingly summoned a Colonial Conference in June, 1933, to begin studying the possibilities of strengthening the economic bonds between France and her colonies, but nothing so far has been accomplished.

Worse than any of the results of economic depression and unemployment is the change that has taken place in the past two or three years in the outlook of many French people. The peasants who loved to work hard on their rich farms, the workers who had kept up their high standards of craftsmanship, the middle class of storekeepers and civil servants whose ambitions never went beyond a small cottage with a little garden, are all becoming increasingly dissatisfied with their lot. The radical propaganda of public school teachers is slowly bearing its fruit. But most of all, people are more and more eager to buy all the chromium-plated and noisy products of the machine age. Luxury these days takes the ostentatious form of shiny automobiles which arouse the envy of those who cannot afford them. The French are beginning to know haste and, although they still appreciate good food and leisurely conversation, there are many who despondently tell you that "France is becoming Americanized."

French Imperialism in China

By WILBUR BURTON

[An American journalist residing in China, Mr. Burton has recently visited Yunnan, obtaining the information which is the basis for the following article.]

CHINESE accusations that France and Japan have an understanding with regard to spheres of activity in China have drawn attention to the French Far Eastern empire. Except for the leased territory of Kwang-Chau-Wan and the small concessions in Tientsin, Shanghai, Hankow and Canton, French power is concentrated in Indo-China, though Frenchmen do not deny that their country has special interests in Southwestern China, especially in the rarely visited province of Yunnan. In recent months Chinese commentators, aware that the blow struck by Japan at the balance of power through the conquest of Manchuria will inevitably have repercussions elsewhere, have been declaring that French annexation of Yunnan is imminent. Such an allegation has been based not only on belief in a Franco-Japanese understanding for the partition of China, but on an apparent increase of French activity in the province.

Reports to this effect were so widespread that I made a trip to the province to investigate them and to study French affairs there. I found nothing to indicate that the French were contemplating any drastic change in their present policy, but I did discover an extraordinary monopolistic control that appears to be increasing.

The only practical way to travel to or from Yunnan is over a railway

through Indo-China owned and operated by the French. It runs from Haiphong, a port on the Gulf of Tonkin, to Hanoi, capital of Indo-China, and thence to Yunnan-fu, capital of Yunnan. While it is only slightly over 530 miles from Haiphong to Yunnan-fu, the Yunnan section of the line of 288 miles is through mountain country that rises from about 250 feet on the Yunnan-Tonkin border to 6,400 feet at Yunnan-fu. As there is no express service and, because of bandits and the nature of the country, the train does not run at night, the trip from Hanoi to Yunnan-fu takes three days.

Except for limited portions all Yunnan is extremely mountainous, being mostly on the same great Himalayan plateau that includes Tibet and much of Szechwan. Some of the peaks of the province are 22,000 feet high. As a result it has always been isolated from the rest of China. The Yangtse River on its northern boundary is navigable only by small boats, and it takes twenty-three days by caravan to travel from Yunnan-fu to Sui-fu, the river port from which it is possible to travel by slow stages by boat to Shanghai. This route requires not less than six weeks.

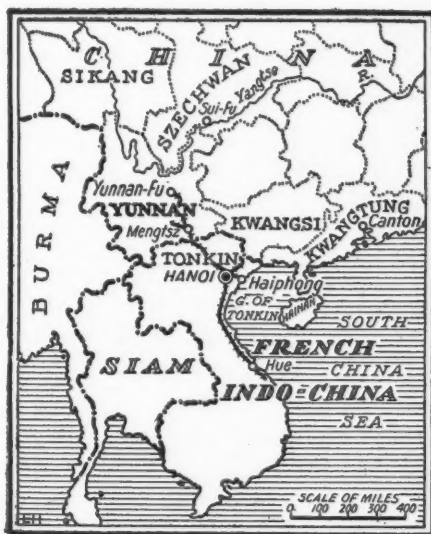
Another route between Yunnan and the rest of China is by caravan from Yunnan-fu, or from Mengtsz, which is on the railway, to Nanning in Kwangsi and thence by the West River to Canton. This route might be traversed in a month. On the other hand, it requires less than a week to reach Yun-

nan-fu from Canton by way of Haiphong, and from Shanghai the trip can be made, again through Haiphong, in ten days or less. But caravan travel is expensive, even in China, and little but opium can afford it.

Years ago there was talk of building a Yunnan-Burma railway, but the British have so far never offered this challenge to French influence, nor has it been suggested recently. Consequently, France controls the door to Yunnan without opposition.

As shipments in bond through Indo-China are allowed, all goods destined for Yunnan are inspected by the French customs in Haiphong. All persons entering or leaving Yunnan naturally have to obtain French transit visas, though, so far as I am aware, such visas are never refused to either Europeans or Orientals, but travelers are subjected to considerable surveillance. The transportation of merchandise, however, is frequently prohibited. No arms or munitions from non-French sources can enter Yunnan through Tonkin, and military supplies, even from French sources, must have a special permit from the French authorities. Needless to say, a government that is friendly to the French never has any difficulty in obtaining the arms and munitions that it desires. When I was in Yunnan-fu delivery was being made of munitions amounting to \$1,450,000 (U. S.), a sum which, incidentally, is nearly 60 per cent of the province's budgeted revenue.

Radio receiving and sending sets are classed as war supplies by the French and their commercial importation through Indo-China, even from French sources, is prohibited. In Yunnan-fu I saw a set which a Chinese had imported from Shanghai through Sui-fu; the cost of transportation had exactly equaled the original cost in Shanghai. Special transit permits are



French Indo-China and Adjoining Territories

necessary for anything that might be used to manufacture munitions. For example, the British hospital in Yunnan-fu must obtain permits from the French consul there to import various indispensable acids. Airplanes also are classed as war material, and in 1932 transit was refused for six American airplanes purchased by the Yunnan Government, although, after protests from the State Department in Washington shipment was finally allowed. When the Yunnan Government subsequently purchased four more airplanes, they were bought from a French firm.

Various taxes are imposed on all goods shipped through Indo-China, except tin exports from Yunnan which are exempt by treaty. The amount of the taxes is proportional to the duties on goods for consumption in Indo-China. Since French goods imported into Indo-China naturally pay a lower tariff than that on foreign goods, they also enjoy an advantage in transit. In effect, therefore, French goods have an advantage over non-French in entering Yunnan.

Chinese goods suffer the same discrimination as foreign goods in transit through Indo-China, although a treaty which had not yet been ratified by France at the time of writing would give Chinese some advantage over other non-French goods. The total transit taxes now vary from 5 per cent *ad valorem* for French goods to 15 per cent *ad valorem* for non-French goods.

Both transit taxes and freight rates are known to have been radically altered on occasion without warning to foreign merchants and presumably in order to favor French business men. Some years ago, for example, an American made a bid in competition with the French and British to supply piping for a water project of the Yunnan Government. The American's offer was frankly a dumping price which he was confident could not be beaten, even allowing for the advantages the French bidder would enjoy. Yet the Frenchman obtained the contract. Later, the American discovered that about the time the pipe began to arrive in Haiphong, it was announced on a bulletin board in the Hanoi train depot, where all official notices about the railway are posted, that the transit duty on piping had been temporarily lowered while another announcement by the railway management proclaimed a reduction in freight rates on piping.

In addition to the monopolistic measures already cited, there are many complaints about delay and breakage in the transportation of non-French goods. French goods are said to reach Yunnan from Haiphong promptly, while non-French usually require from two to six months.

It is not surprising, therefore, to find that more than 60 per cent of the foreign trade of Yunnan is French, although in the rest of China French

trade is far behind that of Great Britain, the United States and Japan. In Yunnan, American trade is less than 20 per cent of the total, British trade about 15 per cent, while all other non-French foreign trade—chiefly German and Japanese—is only 5 per cent. Except for one German, who is employed half time as technical adviser of a small Chinese hydroelectric company, there are now no non-French business men in Yunnan. What little foreign business, other than French, exists, such as that of the Standard Oil Company of New York, is in Chinese hands.

Yunnan, however, is not one of the major trading areas of China, although it is the second largest province in the country, with an area of 146,714 square miles. Its population is only about 11,000,000—two-thirds are Chinese and one-third aborigines—most of whom are exceedingly poor. Foreign trade, exclusive of arms which are not listed in the Chinese customs reports, amounted to \$20,556,194 (U. S.) in 1930, but dropped to \$4,582,921 (U. S.) in 1932.

Tin and opium are the two major exports of Yunnan, the former chiefly to the United States and the latter entirely to Chinese markets. Tin production amounts to about \$3,600,000 (U. S.) a year and opium production to more than three times that amount. Yunnan, the most opium-ridden area of China, produces the best opium in the country. About 2 per cent of the arable land in the province is devoted to cultivating poppies. Rice has to be imported and, since arable land is small in proportion to the total area, starvation always exists in some section of the province. Opium is the chief source of military "squeeze," supplies 20 per cent of the official provincial revenues, and is more widely smoked by the Chinese than in any

other province of China I have visited.

Besides tin, Yunnan has a fair supply of many minerals, including coal, lead, zinc, copper, antimony and silver, and there are extensive, but extremely low grade, iron deposits. Today tin alone is being exploited to any appreciable extent and its mining and refining are conducted by a Chinese company under auspices of the government. The French, who have never sought to develop any of the ore deposits, are content, for the present at least, with operating the railway and the control that it gives them.

The government of Yunnan consists chiefly of a military oligarchy headed by an aboriginal war lord named Lung Yun. He came to power a few years ago after several reverses, during one of which he took refuge in the French Consulate. Since then order has been restored, all the Reds have fled or have been executed and Yunnan is the most peaceful region in China. The government gives lip loyalty to Nanking, but actually is almost completely independent of the rest of China.

General Lung Yun does not appear to be unduly friendly to the French, but since their good-will is essential to obtain military supplies, he is obviously in no position to flout them. Further, at least according to Chinese charges which are supported to a considerable extent from authoritative neutral sources, the French maintain a firm grip on Yunnan's finances, which are in a critical state. The Yunnan dollar constantly fluctuates, usually downward, because of the unstable economy of the province and, it is alleged, because whenever the government establishes credits in Shanghai or Hongkong through sales of tin or opium, these credits are bought by the Banque de l'Indochine, which has a branch in Yunnan-fu and is the only foreign bank there.

French ambitions in other regions of Southwestern China are not obvious. Ever since 1914 a project has been pending for the construction of a railway from Yamchow, on the coast of Kwangtung between Kwangchowwan and the Indo-China border, through both Kwangsi and Kweichow to Yunnan-fu and thence to Chungking, in Szechwan, by way of Sui-fu. A contract, for such a railway was negotiated between the old Peiping Government and the Banque Industrielle de Chine, which subsequently failed. Some money, which has never been repaid, was advanced to the Peiping Government by the bank before its collapse. The contract, which may be assigned to another French company, contains no clause by which it becomes void if its terms are not carried out; so far France has not assigned the contract and at the same time has refused to abrogate it. Thus, in addition to her railway now operating in Yunnan, she has certain vested interests throughout Southwestern China as well as the special interests arising from territorial propinquity.

But other nations besides Japan and China are concerned with the course of French policy in this corner of Asia. The British possession of Burma and Tibet, over which Great Britain virtually maintains a protectorate, bound Yunnan on the west. Szechwan, in which the British are interested and part of which Tibet claims and is even now fighting for, is on the north. Moreover, the Soviet Union is doubtless not wholly unconcerned about the future of Tibet which now forms a buffer between Russia and British India. France's Far Eastern empire and her imperial ambitions are in consequence deeply involved in the rather delicate balance of power in Central Asia.

Progress—Chicago Style

By ROBERT MORSS LOVETT

[Mr. Lovett—student of social movements, literary critic and Professor of English in the University of Chicago—is a frequent contributor to American periodicals.]

THE century of Chicago's history is divided by events of which the two world's fairs are not the least significant. The Columbian Exposition marked the close of a period during which the city retained some of the aspects of a frontier boom town, a period of speculation and sporting, of easy money, easy manners, easy morals. The fair of 1893 was part of a concerted movement toward what was vaguely called culture, of which the Chicago Symphony Orchestra, the Art Institute, the university and the architectural genius which brought forth the Auditorium, the Monadnock and the Field wholesale building were evidence. American humor made merry with the theme of Chicago's energetic pursuit of culture, but the achievement was nevertheless real. In other respects the transition from an overgrown Western village to a modern metropolis was less fortunate. In both characters Chicago showed its usual tendency toward exaggeration.

In the forty years after 1893 Chicago became internationally famous for its organized crime, official corruption, financial betrayal, racketeering and gang wars. There is no doubt that the present exposition has redeemed in a measure the reputation of the city. It has brought a new and favorable kind of publicity. Henry Justin Smith, managing editor of the *Chicago Daily News* and historian of

the city, remarked at a recent gathering that the visiting journalist no longer demanded at once to be taken to the scene of the St. Valentine's Day massacre of Bugs Moran's gang or to the Cicero haunts of the Capones. It is true, gang murders continue. The school system, once the pride of the city, has been wrecked. The Mayor is openly charged with unspeakable corruption. Unemployment is of vast proportions and hundreds feed daily upon the garbage dumps.

These matters no longer interest the outside public; they have been submerged in the news of the fair. The Chicago press, except the Hearst papers, played them down lest visitors should have their minds diverted from the exhibition of progress by marks of retrogression. Nevertheless, the question which the future historian will answer is, whether the celebration of the Century of Progress in 1933 marked, like its predecessor forty years earlier, an upward thrust in the career of the city, the beginning of a new forward movement, or was merely a spasm of self-induced gayety, a gesture of compensatory bravado. Was its name a prophecy or a grim irony?

Whether or not the rehabilitation of the city played any conscious part in the plans for the exposition, there is no doubt that the enterprise granted some release from the business depression. It brought visitors to the city by rail, motorbus and private car; long distance and local transportation flourished; the hotels were generally

full and figures for sales in department stores soared above those of other cities. The fair with its many concessions gave employment to 14,500 persons. Conditions of employment, it is true, were not all that could be desired, and cases of exploitation of workers by concessionnaires were reported, but the general opinion of the employed was, "It's better than doing nothing."

It is one of the paradoxes of Chicago's history that both its great expositions should have been depression fairs. The Columbian Exposition ran head on into the collapse of 1893, and had a hard time weathering the storm. The Century of Progress had the luck to unfurl its sails to a light and vacillating breeze of recovery, but the years of preparation were the darkest in the financial history of the Republic. The gay mood of optimism with which the original proponents of the fair projected and named it changed into one of grim determination to maintain the reputation of the city for making water run uphill.

The fair of 1893 lost money, and the repercussion from overstimulation of business and overbuilding left the city flat on its back for years. The fair of 1933 has paid 50 per cent on its bonds, and is likely, with a second season, to discharge them entirely. Admission fees amounted to \$10,345,848. Visitors spent on the average \$1.12 each, or a total of \$26,084,777, which went to the concessions in varying amounts headed by the Streets of Paris with \$1,465,570. Again the question arises whether the fair will be remembered as a sign and a factor of recovery in the city and country or a gallant rearguard action against retrogression.

The sound financial set-up of the fair which left no doubt of its solvency from the start was largely due to two men whose names are now rarely men-

tioned in connection with it—Samuel Insull and Charles G. Dawes. Several years ago Mr. Insull, as chairman of the finance committee, put his organization to work selling bunches of admission tickets, of which a considerable number were never presented. He also used his influence with corporations to obtain some of the exhibits which occupy a large space, or sometimes whole buildings. Mr. Dawes threw his vibrant personality into the sale of \$10,000,000 worth of bonds. This money with guarantee funds for private exhibition buildings, paid in advance, was deposited in Mr. Dawes's bank, and, as it turned out, was insured by the Reconstruction Finance Corporation, so that the managers always knew where they stood financially.

Contracts for buildings specified from whom materials were to be purchased; personnel for the concessions was engaged through an agency which exacted a fee of \$12.50 per person; uniforms had to be bought of Marshall Field & Co. Concessions paid the management a percentage of their receipts. No source of income was overlooked. All this was very different from the happy-go-lucky financing of the Columbian Exposition, the cost of which exceeded expectation and forced the sponsors to meet sudden exigencies out of their pockets. The fair of 1893 was the valedictory of the old guard—Marshall Field, Potter Palmer, Cyrus McCormick, George M. Pullman, Daniel H. Burnham—and if they groaned under its exactions they were resolved to make it worthy of themselves. The Century of Progress Exposition was the monument of their successors.

The courage of the promoters in going ahead full steam in the face of danger undoubtedly gave the enterprise from the start and before the

start an extremely good press, which was supplemented by moving pictures, radio and the other arts of publicity. Among many aspects of progress presented, that in the use of propaganda was the one most fully illustrated by the fair and its concessions. The architecture was the first great advertisement. If it was the purpose of the architects to make the fair talked about, they succeeded. Visitors entering the city by the Illinois Central were intrigued by the grotesque shapes and crude colors of the buildings rising from shore and islands drawn up by sand suckers from the bottom of the lake. No greater contrast can be imagined than that between the chaste, classical architectural forms, white as Greek statues, of the fair of 1893, and the violently cubistic structures in the motley colors of the clown which were their successors.

The contrast is significant of a change in civilization. Culture was the ambition of the late nineteenth century, a pursuit of perfection by seeking the best that had been done in the world, which led to a concept of classical unity. Technology has replaced culture as the motive of the present century. The buildings of the Century of Progress were experiments in construction, the most daring of them being the Travel and Transport Building, in which a dome hung, like a suspension bridge, 125 feet above the ground by cables attached to twelve steel towers. They were experiments also in decoration, the color scheme having been determined by Joseph Urban, who in place of the prevailing white of the Columbian Exposition used twenty-four shades of blue, green, black, yellow, red, orange, silver and gold. The architecture of the Columbian Exposition suggested repose, security, permanence through tradition if not through material; that of the

Century of Progress suggested restlessness, uncertainty and evanescence, with a certain hectic gayety. An architect named it carnival architecture. Both expositions, however, needed artificial lighting to reveal fully their scenic possibilities. In the earlier fair the primitive mechanics of the electric lighting of that day were sufficient to bring out the austerity and regularity of its formal beauty; in the latter, experiments in light supplemented those in architecture, and the resources of engineers were pushed to new limits to impose upon violence and distortion the harmony of a daring stage scene set in the theatre of night.

The central theme of the exposition was the growth of science and its application to industry and the arts of life. The development of the basic sciences—mathematics, physics, chemistry—was skillfully shown. Among the applications of science, chief emphasis was laid upon communication—the telephone, radio, the timid beginnings of television, the ocean liner, the railroad, the automobile. In striking contrast to these technical marvels, however, the most popular exhibit was that illustrating the human reproductive process—a series of jars in which were shown specimens of the human embryo in various stages of development. Guards in the Hall of Science stated that more people asked to be directed to this exhibit than to any other, and that at least four out of five visitors saw it in spite of the small space, which necessitated tedious waiting in line. Supplementing this were the exhibits of the Mayo Institute illustrating the progress of medicine and surgery, and the dental exhibits. The attention given these seemed to point to an obscure recognition of the fact that life is more than meat, and the body more than that which sustains it.

The chief disappointment in connection with the fair as a record of progress lay in the obscuring of this cardinal truth. Fundamental to civilization the most important exhibit was a huge diorama which portrayed the gathering of water into reservoirs whence streams issued to spin turbines and set a current racing across the country to light farms, mines and quarries, to move trains, and awaken to life cities with their homes, skyscrapers, stores and factories. It exemplified the enormous difference between the machine age and the power age, between the industrial revolution and the technological. It reminded one that the machine by itself is a tool, an extension of the human hand, and that the possession of power in cheap and accessible form makes possible the unlimited exercise of human ingenuity to convert this machine into a thing of independent life, automatic, self-regulating, self-renewing. One wondered how many of the spectators who gazed on this exhibit saw its anticipation of a time when the functional need for man would be as limited as that for the horse, and their present lives as meaningless. The basic theme of the fair as expressed officially was "the achievements of science and their application through industry to the creation of a larger life for mankind." The achievements of science were there in abundance, and their applications, but where, one was moved to ask, was the evidence of the larger life for mankind, or even the promise of it?

This disappointment became acute on leaving the Hall of Science for that of Social Science, or Religion. It must be admitted, of course, that the subject matter of technology lends itself to exhibition in concrete form, while social progress can often be revealed only by symbols, charts and statistics.

The construction of a motor-car can be shown in action, but not so the assembling of a religion or a social system. Even with this reservation the exhibits offered in the names of these last suggested a troubling doubt as to the meaning, reality and future of progress toward "a larger life for mankind."

That social science has lagged far behind technology is generally recognized, but seldom has a single occasion brought so clear a realization of the discrepancy. Some of the exhibits in the social science hall were examples of wishful thinking, others of frank cynicism. Sometimes they showed a retrograde movement even in the months since the fair was inaugurated. A diorama of Eliza Chappell's infant school in Chicago of 1833 stood next to a model of the Lane Technical High School. A visit to the corner of Addison Street and Western Avenue revealed the latter edifice unfinished, partly unroofed to the weather, standing in an immense expanse of weedy prairie suggesting land speculation, and, instead of the thousands of pupils, two bricklayers vainly trying to keep apace with deterioration. For downright cynicism there was a series of dioramas presenting changes in the life of the family. Progress in affection was shown by a family group of Colonial days over against a couple alighted from an automobile and linked in a close embrace—to the edification of passers-by; in religion, by a family gathering singing hymns versus a nearly empty church in which a servant of God addressed the microphone; in recreation by outdoor games on one hand and on the other a movie audience absorbed in a scene of osculation on the screen.

If the progress here claimed for social science seemed at times illu-

sory, the lack of vision toward the society of the future was even more marked. That this society will be obliged to take account of more than one class is evident, but so far as the social exhibits of the Century of Progress were conceived the working class might not exist. A conspicuous omission was in the matter of popular housing. There were examples of houses of steel, of glass, of concrete, but none of model tenements. There were hundreds of appliances for household comfort, all of them beyond the means of the poor. The fair appealed largely to the middle class, and its exhibits emphasized the technical progress from which this class has gained so much in comfort and spiritual satisfaction. In this rendering of the century of progress the problem of poverty did not exist. Nevertheless the poor came. One can imagine the despair of a poor mother who brought her child to the Ship of Health and read the dietary there recommended, or looked at Chart 4 of the Bureau of Home Economics, United States Department of Agriculture, showing two children at a small table set with flowers, diminutive dishes and silverware "that fits," or listened to the advice, so glibly tendered, to consult physician, oculist and dentist. Even granting this limitation of interest to the prosperous, it may be questioned whether the social scientists were wise in obtruding the snobbishness of middle-class ideals, as in the case of the two charts prepared by the Carnegie Institute which showed in contrast a proletarian family called Ishmael living on the garbage dump of Indianapolis, and the "illustrious family" of the Roosevelts, equal in opportunity but differing in character and breeding.

A conspicuous lapse from progress appeared in the amusements offered

to a public which must address itself in the future to the problem of the use of leisure. Nothing more pitifully banal could be imagined than the side-shows of the Midway. There was the old Battle of Gettysburg, and a new Pantheon glorifying the recent World War and the statesmen and soldiers who directed it. There was Ripley's Odditorium with our old friends, the ossified man, the Negro who crams four golf balls into his mouth, the armless wonder who shaves himself with his toes. The chief source of entertainment, however, was the female form. In the Streets of Paris it was shown under water, diminished to inches by a clever arrangement of mirrors, and again through the pretense of a sketching class, the audience being perfunctorily supplied with pencils and paper.

The most notorious of all nudities was procured by means of the fan dance. This was a novelty in Earl Carroll's Vanities some years ago, revived for this occasion by Faith Bacon. It was an experience to sit in the great auditorium of the concession labeled Hollywood, among an audience of perfectly respectable Middle Western, middle-class, middle-aged people, all palpitating for the divine moment when the two fans were held aloft and the naked body was fully revealed. No one could deny the beauty of the spectacle, but one doubted whether the audience was entirely composed of beauty seekers. The dance was reproduced at the Streets of Paris by one Sally Rand, whose arrest, trial and sentence to a year's imprisonment was the chief publicity stunt pulled during the entire exposition. Soon every dancing show had its fan dance, and the language of the barkers inviting the public to witness it became luridly vulgar.

It would seem as if the abandon-

ment of the adult world to its vulgar ways might have been compensated for by doing something for the next generation. The Enchanted Island contained a diminutive Harvey restaurant, where a luncheon might be bought for 85 cents; slides, merry-go-rounds, miniature trains, peep-shows which used to be seen in the arcades on the Bowery thirty years ago—"Chase Me, Girls"; "Why Chickens Leave Home," "The New Sheriff." Little Orphan Annie was rendered in all her insipidity by "The French Marionettes." The Playhouse, to quote Charles Collins, dramatic critic of the *Chicago Tribune*, "represents a dream of cultivated women * * * of the Junior League—who have been provided an opportunity for experimentation by the fair." The program on one day included "Juvenile Scandals" and various numbers such as "Two Tickets to Georgia," "Caveman's Child," "Forty-second Street," "Strutters' Ball," all popular jazz songs to be heard in vaudeville houses or over the radio. "Experimentation" seems to have stopped with the reproduction of the amusement features offered to adults—with the exception of a miniature fan dance.

The name, "Century of Progress," committed the sponsors of the enterprise to an idealistic interpretation of the world. It was not their fault that they were in a measure betrayed by events, nor can they be blamed for putting the best face possible upon the matter. Nevertheless, the total effect of the fair was to raise more insistently the question—progress toward what? If the accelerated advance of technology, the increase of control over natural forces, is to lead to nothing better than a civilization of which the highest aspect is to be found in material comfort for a class which can afford it, and the lowest in

the crass vulgarity of its recreations, it may be doubted whether the triumph was worth celebrating. The enormous irony of the Century of Progress was to be appreciated in the unescapable contrast between the combination of natural beauty of lake, island, lagoons, with lavish architectural decoration and brilliant illumination, against the imposing skyline of the city's façade and the sordid background of civic life in which official corruption was never more arrogant nor human misery more appalling. Spengler would surely have found here an instance of the fantastic exhibitionism with which civilizations are prone to bear witness to their decline.

Another irony of the fair appeared in the fact that its most beautiful and satisfying features were those drawn directly from the past. The Llama temple from Jehol, faithfully re-created by Chinese artists; the Maya temple, rather crudely copied; the Belgian village in its reproduction of an architecture and a way of life before the century of progress, left memories touched by pathos. The high point of the experience of many visitors was the pageant, "The Wings of the Century," in which the march of civilization was represented by scenes of travel, from the journeys afoot by Jesuit missionaries and *courreurs du bois*, through the stages of horseback, stage-coach, canal-boat, the clipper ship, the crude beginnings of steamboat and railway train, the equally primitive horseless carriage and airplane, up to the modern automobile, airship and crack trains of Pullman cars. This pageant with the accompaniment of Hamilton Forrest's music based on themes drawn from songs of the period such as "Wait for the Wagon" and "I'm Going to Alabama" stirred a certain nostalgia which

found expression in often heard comment that modern improvements seem rather to have attenuated than enriched the values of living.

Something of the same feeling was aroused by the exhibition of paintings at the Art Institute. This was the outstanding achievement of the whole enterprise, an assembly of pictures as perfect in selection as the resources of American art collections allow, ordered historically, hung with esthetic appreciation, catalogued with scholarly discretion. From the vast confusion of material triumph and vulgar entertainment, which to the weary visitor seemed sometimes to embody "the expense of spirit in a waste of shame," to turn to this noble monument of human endeavor was to find consolation for disappointment and disillusionment, to become conscious of a principle of order at work in the chaos of progress, to discern a way of salvation, of making the world a better place for man to live in.

As has been noted, the exposition was carried through in the face of a multitude of discouraging circumstances. First of all was the state of the world. The first of world fairs in 1851 was held in London to celebrate the peace which liberalism, democracy and free trade seemed likely to make always more secure. The Century of Progress was launched in a world of exacerbated national feeling. To the great powers—Great Britain, France, Germany—an invitation to a love feast in the United States seemed ironical and participation futile. Italy earned the gratitude of Chicago by erecting a building and sending Balbo and his airships. The lesser nations—

China, Sweden, Holland, Czechoslovakia, the Irish Free State—were pleasantly represented. Russia was of course not invited, though she made offers which were declined.

In the second place, the exposition occurred at a time of increasing social tension and class-consciousness. As has been noted, the fair had a predominantly middle-class complexion. Many of the working class who attended were irritated by the lack of recognition of their interests and problems, by the emphasis upon aspects of progress which they no longer hope to enjoy under the present social order, by the working conditions within the grounds where many of the concessionaires had apparently never heard of the New Deal and the NRA.

Finally, the general depression limited the appeal of the fair. On the basis of the experience of similar enterprises the managers calculated that the attendance might reach a figure amounting to twenty times the population within a radius of fifty miles, or approximately 100,000,000. In fact, the attendance numbered somewhat over 20,000,000, not much larger than that of the Columbian Exposition forty years ago, and much smaller than that of the Paris Exposition in 1931. Perhaps the management is wise in draining the cup of popular interest to the dregs by continuing the enterprise for another year. It is an act of faith which may happily be justified as a feast of recovery. If, on the contrary, it is an anti-climax, Chicago may have the distinction of closing the century of progress with a fair to end fairs.

In Quest of the Lost Atlantis

By RICHARD CLAVERING

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THOSE who recall the late Sir Arthur Conan Doyle's *Maracot Deep* will remember how he fancifully portrayed the existence of a race of supermen living on the bed of the Atlantic Ocean. Then he named Atlanteans. The author undoubtedly drew his inspiration for this engrossing tale from the ages-old story of the lost continent of Atlantis. The majority of people have probably never heard even the name of Atlantis. To most of those who have, it is doubtless associated in their minds with pure myth—the fantastic creation of some unknown storyteller who flourished in a forgotten age. But is it myth? The recent announcement that a scientific expedition under German auspices is to attempt fresh investigation of the secrets of the Atlantic Ocean bed on lines never before tried reawakens an interest which has persisted for countless centuries.

This expedition of Count Byron Kuhn de Prorock is intended to serve the interests of archaeology; and the equipment consists of a yacht, a large diver-bell, and a submarine boat of the most modern construction. On the yacht is a strong crane for lowering the diver-bell. By far the most interesting object is this diver-bell, which is of German invention and a veritable marvel of engineering art. It has been built with very thick walls to withstand the great pressure to which it

will be subjected under the water, is egg-shaped at the bottom, has three observation windows, and it is estimated should reach with safety to a depth of 750 meters. Inside is a swivel chair for the accommodation of the observer, whose task it will be to take photographs. The lighting required is supplied by a deep-sea lamp with the power of a strong searchlight which can be turned in all directions. Telephonic communication has also been arranged for between the yacht and the diver-bell, as well as the problem of maintaining a sufficient supply of healthy air for the observer while the bell is submerged. What fresh knowledge may result from the efforts of this new enterprise will be awaited with keen anticipation by all those interested in the study of archaeology.

What exactly is Atlantis supposed to have been? Briefly, the supposition is that at some time large expanses of land occupied much of the space now filled by the waters of the Atlantic Ocean. The whole formed an archipelago; the biggest island in the group was named Atlantis and sustained a large and advanced civilization. The earliest record is found in Plato's dialogue known as *The Timaeus*. In it he tells a story which his great-grandfather had heard from Solon, one of the wisest of the ancient Greeks. According to him, Atlantis was a great and wonderful empire "which had rule over the whole island [Atlantis] and several others, as well as over parts of the [opposite] continent." Not content with the territory already

theirs, the powers in Atlantis embarked on fresh conquest, and succeeded in subjugating those parts of Libya which lay within the Pillars of Hercules (Gibraltar) as far as Egypt, and extended their possessions in Europe to embrace Tyrrhenia (Italy). Still not content, they essayed eastward and attacked Greece itself.

Whether Solon's story at this point becomes prejudiced with national pride in the ability of his own people to prevail where others had fallen, or whether he is narrating actual history, cannot be decided. But he describes how the Athenians addressed themselves with conspicuous valor to the attack of the invading Atlanteans and not only vanquished but expelled them finally from the whole of their possessions within the Mediterranean area. This is supposed to have happened, roughly, about 9600 B. C. At a later period—according to Solon—violent floods and earthquakes occurred, and during one or more of these disturbances the island of Atlantis vanished beneath the sea.

If the problem of Atlantis were associated only with Plato's account of Solon's story, it might well be regarded as the product of his own invention for the purpose of extolling the prowess of his nation and adding to the reputed greatness of his ancestors. It is true that for long scientists refused to credit the story; but more modern study of geology and paleontology, together with certain discoveries at the bottom of the sea, have arrested skepticism by bringing the legend well into the sphere of possibility.

One of these discoveries occurred in the Summer of the year 1898. A cable was being laid from Brest to Cape Cod when a strand broke at a point about 500 miles north of the Azores and at a depth of about 1,700 fathoms. In an attempt to fish up the broken

strand, the grappling-irons brought to the surface soil and broken pieces of rock which microscopic examination showed to consist of lava. Further investigation revealed that the ocean bed at this point has all the characteristics of a mountainous country with high peaks and seared with deep valleys. The eruption of Mont Pelée, in the West Indies, during the early part of the present century taught geologists much by giving to science the data from which water-cooled lava can be distinguished from that which has cooled on land. When the volcano erupted, the lava stream divided; one part, flowing into the sea, solidified suddenly; the other congealed on land and took weeks to cool. Microscopic studies of samples of both these lavas revealed a marked difference in their crystalline structure.

Now, the species of lava fished up from the bed of the Atlantic in 1898 (which is preserved at the Musée de l'Ecole des Mines in Paris) was such as had congealed under atmospheric conditions. Had it solidified under 1,700 fathoms of water, it would have crystallized. The obvious inference is that the volcano which ejected this lava must have been well above the surface of the ocean at the time of the eruption, because the cooling had taken place on land. Furthermore, geologists claim that lava exposed to sea-water disintegrates to an appreciable extent in something like 15,000 years. The particular lava under discussion was undecomposed, and if the geologists' estimate is correct it indicates that the eruption in question must have occurred less than 15,000 years ago—a mere yesterday in geological time.

There are striking structural resemblances between Europe and North America and between Equatorial Africa and Brazil. Many of the moun-

tain ranges on both sides reach the ocean, to be cut off with an abruptness which suggests that in former times they probably continued beyond their present limits if they did not actually join one another. The Azores, Tristan da Cunha, and the St. Paul's Rocks are quite possibly the last vestiges of a mighty continent which lay between Africa and South America and has sunk beneath the sea. Similarly, the islands of the West Indies doubtless formed part of a far greater whole; and the fact that these lie well within the zone of earthquakes is an interesting one to note.

During the last century the naval authorities of England, Germany and the United States took deep-sea soundings of the Atlantic which resulted in its entire ocean-bed being mapped out. This revealed the existence of a great ridge which, commencing near the coast of Ireland, traverses a southerly direction, embraces the Azores, and cuts across southwest to the coastline of South America near the Amazon River. From there this ridge turns eastward, takes in the St. Paul's Rocks, changes its course north of the island of Ascension, and goes due south to the island of Tristan d'Acunha. The average level of this great ridge is about 9,000 feet higher than the bed of the Atlantic, and it is reasonable, therefore, to assume that these islands mentioned are the mountain peaks of some submerged continental range. Another result of these deep-sea soundings was to establish the fact that this ridge is covered throughout its length with volcanic detritus, and there are evidences of volcanic disturbances on a very large scale. About 150 miles from the Straits of Gibraltar, where Plato indicated the former location of Atlantis, it was noted that the soundings decreased in the course of a few miles

from 2,700 fathoms to 1,600.

From such facts as these the hypothesis that there once existed wide expanses of land in the Atlantic Ocean would appear to be very well justified. At any rate, it is removed from the realm of mere surmise. That this land has gradually disappeared beneath the sea in space of time as the result of volcanic activity, leaving here and there a few remnants of its former whole, is an opinion held by scientists of high standing and world repute. Moreover, the consensus of their opinion favors the relatively recent existence of a major portion of it above the surface of the sea, forming an archipelagic chain such as Plato described.

There is also biological evidence which appears to support the Atlantean theory. For instance, the monk seal remains close to land and does not frequent the open ocean. One species is found in the Mediterranean, the other in the West Indies; the two separated by the thousands of miles of the broad Atlantic, in which neither is known to exist. The case of manatus is similar. One is found off the West Coast of Africa, the other inhabits the South American coast; and both of them are partial to the proximity of land. The wide range separating these marine mammals would appear to indicate that their ancestors followed a coast-line which has to a great extent ceased to exist.

The burrowing amphisbaenidae, which are generally limbless, and spend most of their existence in ants' nests, present an interesting study. They are a very large family and found only in the region of the Mediterranean, Africa and America. It would be impossible for them to cross the ocean; yet they are found in this last-named continent, whereas not a single one is known in Asia, which has

land connection with Europe. Of the ants, certain ones found in the Azores are native also of America. Similarly, many of the moths and butterflies in the Canary Islands are identical with those of America. Yet ants, moths and butterflies, whose span of life is at best very short, could not possibly navigate the wide expanse of the Atlantic. The ocean is an insuperable barrier to earthworms also, but those found in Europe and North Africa are identical with those in the islands of the Atlantic.

How did these several creatures reach their different localities? Certainly not by an ocean way. The only alternative appears to be the former existence of land where now the sea holds sway.

Anthropology is not lacking in offering material which is equally suggestive in favor of there having been land fit for human habitation in the Atlantic Ocean which no longer exists. Archaeologists are aware that Europe was visited by a certain migrant race many thousands of years ago. This race has been named the Crô-Magnon, or Aurignacian, because of the places where the earliest discoveries concerning them were made. In 1852 remains of a particular and distinct people were found in a grotto at Aurignac; and later M. Lartet, a French anthropologist, discovered five skeletons in a cave close to the little hamlet of Crô-Magnon, near Les Eyzies, on the Vézère. Both these finds were identical, and showed they belonged to the same race, of which Sir Arthur Keith has said that it was one of the finest mentally and physically the world has ever seen. Judging by these Crô-Magnon and Aurignac skeletons, the average height of the men of this race was well over six feet. The shoulders were very broad, and the arms short in comparison with the

legs, a fact indicative of high racial development far removed from the semi-anthropoid remains of other discoveries. In every case the skull indicated a thin, prominent nose, high cheek-bones and a massive chin. It has been noted by Broca that the brain capacity of a Crô-Magnon woman surpassed that of the average male of today.

Other burying-places of the Crô-Magnons have been discovered, and they reveal much concerning this early race. For instance, they disclose evidences of high art in more directions than one. The walls of these Biscaayan caverns are adorned with drawings and paintings, and not infrequently, bas-reliefs, of the human form and animals executed with such regard for correct proportion, allied with grace of technique and true reproduction as evince a highly developed esthetic taste equal in many respects to that of modern times. The people who produced such works of art could not be classed as savages. Remains of mantles made of shells exhibit a love for beauty which doubtless characterized the Crô-Magnon woman and lent charm to the wearer. The implements of flint are masterpieces of the flintmaker's art, and there are instruments fashioned from bone and horn which show an inventiveness of a very high order.

Evidences of this Crô-Magnon industry have not so far been met with in Central or Eastern Europe. It centres in Southwestern Europe and must have appeared there when the rest of the continent was inhabited by people not far removed from a semi-anthropoid type commonly known as Neanderthal man. Such a high order could not have been developed in a few centuries—it was, doubtless, the outcome of many thousands of years of progressive evolution somewhere.

But where? And how did it reach Europe? Not from the East—the traditional birthplace of the human race—for the reason just stated, and certainly not from the North. The race who introduced it into Europe must have made their entry from the West or Southwest. That they did so by a land route is indicated by the fact that not a single boat nor drawing of a boat has been discovered amid the remaining traces of this race, and it is only reasonable to suppose that had so important a means of transport existed for them, they would surely have recorded the fact when they have done so of less trivial matters. The indications would seem to point to an Atlantic origin.

Two other features which supply evidence that this is most likely true are the fact that, whereas the Basque language has no linguistic affinities with any other in Europe, it strongly resembles in grammatical structure the aboriginal tongues of the vast American Continent; and also, the similarity between the Crô-Magnon skulls in Europe and the prehistoric skulls in Lagoa Santa in Brazil suggests an identity of type. What was the connecting link between peoples so widely separated by distance? The relationship between them can hardly be regarded as accidental. It may not be quite such an idle fancy as it appears to some people to suppose that they originated in a land which once existed between Europe and Africa on the one side and North and South America on the other, and spread east and west when that land began to disintegrate and finally to disappear beneath the waters of the Atlantic.

Ancient religious beliefs show a similarity in many respects which would appear to indicate a common origin. The gods of early Egypt have

in many cases a counterpart in North or South America. It may seem to be working backward to allude at this stage to the Flood, but having examined briefly the contributions of geology, biology and anthropology, reference to other accounts relative to that event may prove illuminating.

The actual Genesis story is too well known to require description. Assyriologists of recognized eminence have shown that there is very intimate connection between the Genesis record and that of the Babylonian story of Gilgamesh written on the tablets of clay which the discovery of the great library of Assurbanipal at Nineveh has supplied. From the Babylonian source comes another account, that of the Chaldean priest Berosus. In each one there is an ark with its cargo of human freight, the rising waters of a flood engulfing the land and the widespread destruction of nations.

From the far-away Tupi-Guarani Indians of Brazil emerges a story which bears such close resemblance to those of the Old World that the significance needs no stressing. The creator-god Monan found mankind so bad that he decided to destroy the world by fire. A great magician named Irin Magé, however, counteracted the dangers of the fire by sending heavy rain which caused a great flood instead, and only a few people were saved. The Carib Indians of the West Indies had a similar record of a great deluge, as had also the Macusi tribe and the Tamanacs. Legends of the Mexican Indians speak of a great flood in which Nata and his wife Nena escape destruction in a hollowed-out cypress which does service as a boat. Another of these legends tells how a giant named Xelhua, having ascended a high mountain to save himself from the flood, built the pyramid of Cholula as a place of refuge in case of a

second deluge. This story is suggestive of the building of the Tower of Babel in the Genesis story.

The Seminoles and the Choctaw tribe of North America possessed a history of the Creation which closely resembles the biblical account. First, there was nothing but the primeval waste of waters, then land appeared and green grass. In the centre of the land rose a high hill on which was the home of a great god, the "Master of Breath," who fashioned men from clay.

Brochica, the hero of the Chibchas Indians of Columbia, carrying the world upon his shoulders, is but a variation of the Atlas myth of the ancient Greeks. The Mexican god Quetzalcoatl is clearly Osiris of Egypt, and Cuacoatl is Isis. There are pyramids in Egypt and there are pyramids in Mexico. The mummification of dead bodies practiced in the former country is also to be found in the latter, as well as in Peru.

It can hardly be a matter of coincidence that peoples separated by the great distance of a mighty ocean should possess so much in common, of which much is identical, at a period in the history of man when the crossing of that ocean would appear to have been an impossible achievement. It may be argued by some that these and many other Egyptian influences reached America by way of Asia and the Pacific at its narrowest part. But they are hardly likely to have passed through such countries as India and China without leaving behind clear impressions in those countries, which is not the case, or themselves receiving an infiltration of new ideas which clearly did not happen.

Egyptians in the reign of Necho are supposed to have made a voyage to the southernmost part of Africa, and

could, therefore, undertake long sea voyages. But if, on that assumption, it is suggested that they crossed the Atlantic, it may well be observed that long voyages in the constant proximity of land to which resort can be made at any time is a very different undertaking to that of essaying across several thousands of miles of watery isolation. If the Egyptians did cross the Atlantic, it is pertinent to inquire why they and similar nations did not continue to do so, instead of leaving it for Columbus to make history by his first memorable voyage in A. D. 1492. Moreover, many archaeologists are of the opinion that much which is called Egyptian actually originated elsewhere, and reached Egypt from a westerly direction.

If, on the other hand, Atlantis once existed as the birthplace of what afterward became common to both sides of the Atlantic Ocean, and dispersion took place to the east and to the west when that continent began to disintegrate, a far more feasible solution seems to offer itself.

That great movement has taken place in the bed of the Atlantic Ocean and is still taking place, none can doubt. Only so long ago as August, 1923, a vessel was sent out by the Western Union Telegraph Company to search for a lost cable, which had been laid about twenty-five years before. Soundings were taken at the exact spot and revealed that the bed of the ocean had risen nearly two and a quarter miles during that short period! Such a fact as this offers only one obvious conclusion.

Perhaps soon—perhaps only in years to come—the inventiveness of science may find some means of wresting from the depths of the Atlantic some of its secrets. Till then Atlantis must remain a matter of interesting speculation.

Current History in Cartoons



Gone nudist
—Chicago Tribune



The hungry boys
—Raleigh News and Observer



Admitted at their own urgent request
—New York World-Telegram

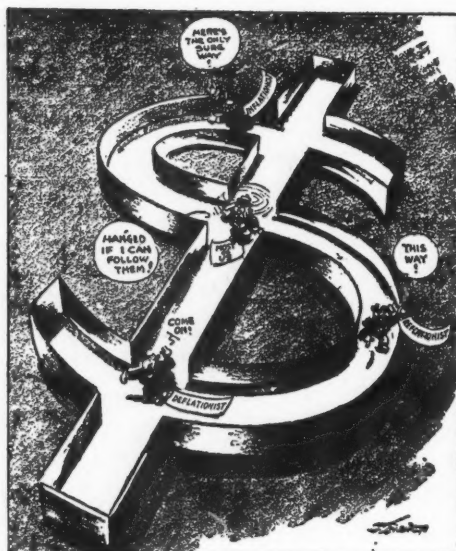


Look out, Brain Trust!
—Memphis Commercial Appeal

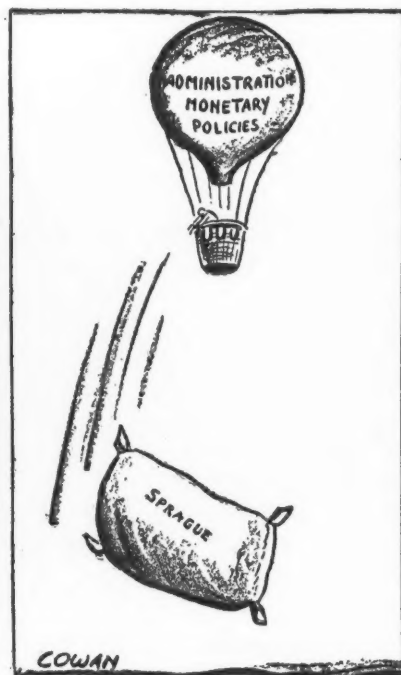


"Name one of the principal resources of America"
"Inflation"

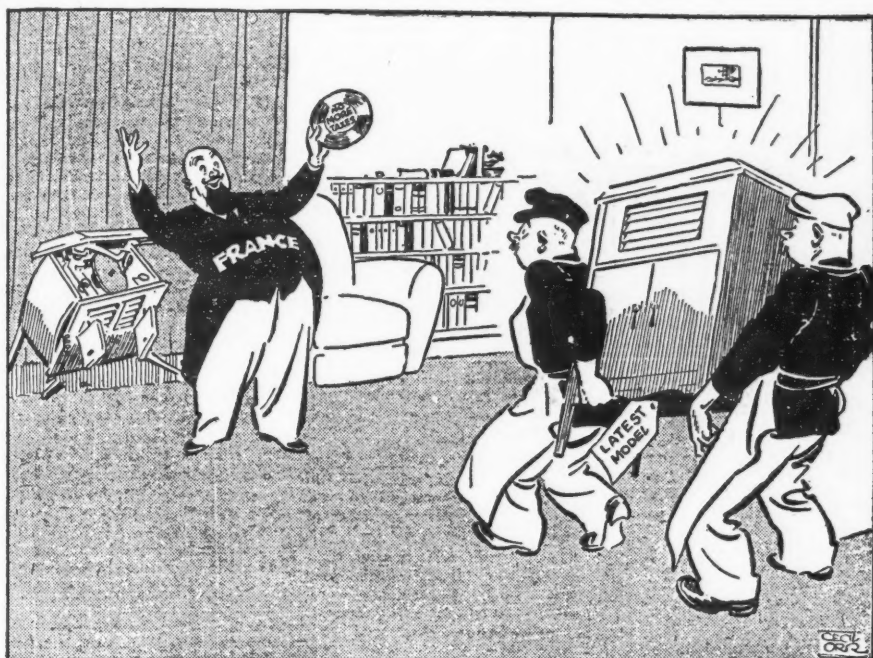
—Oeuvre, Paris



The mystic maze!
—Knoxville News Sentinel



Dropping the ballast
—Boston Evening Transcript



M. France: "Ah, the new Cabinet. Now I shall be able to play my favorite record again"

—Glasgow Record

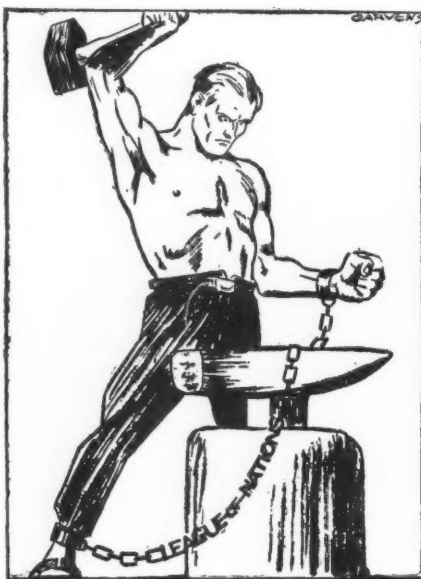


Messenger: "Mr. Litvinov to see you, sir"
Mr. Roosevelt: "Show him in"

—London Daily Express



Mr. Henderson: "I feel that I am not getting the support I am entitled to"
—London Daily Express



At last Germany breaks her chains!
—Kladderadatsch, Berlin



The German Elections—"Now then, what is your opinion of the Nazi régime?"
—Le Canard Enchaîné, Paris

A Month's World History

The Breakdown at Geneva

By ALLAN NEVINS

Professor of American History, Columbia University

BECAUSE all hope of disarmament seemed to be lost in a welter of political animosities, the United States in November quietly withdrew its delegate from the Disarmament Conference. Ambassador Norman Davis, in explanation, repeated what he had often said before — that the United States stands ready to assist in reducing armaments, but is resolved to remain aloof from the complications of European politics. When he sailed for home on Nov. 4, having lingered hopefully in Geneva for more than two weeks after Germany precipitated the adjournment of the conference, most observers thought his departure had an air of finality. The Nazi-controlled German press, in fact, leaped upon the news with enthusiasm and spread across its sheets such flamboyant headlines as "America's Knockout Blow to the League of Nations."

It is difficult to believe that the League as an instrument of international policy has not been greatly enfeebled by recent events. Premier Mussolini has restrained his eagerness to transfer the question of disarmament from Geneva to a meeting of the signatories of the Four-Power treaty under his presidency, but only because he has realized the need of moving carefully and discreetly, espe-

cially where France is concerned. Prime Minister MacDonald has considered it expedient to urge France to show a more friendly attitude toward Germany and a willingness to discuss their differences outside the Disarmament Conference. Most of the chancelleries of Europe have been conspicuously cold to Geneva. In that city Arthur Henderson, president of the conference, has held the citadel alone except for a few minor delegates and experts. Rising irritation over his difficult position prompted him on Nov. 15 to threaten the chief delegates, not one of whom was in Geneva preparing for the plenary session of the conference set for Dec. 4, that if they did not return he would resign his presidency.

Mr. Henderson's position in British affairs is peculiarly strong. Since his recent re-election to Parliament, primarily on the disarmament issue, and the enormous success of his Labor party in the English municipal elections last month, he has become a political leader with whom the present National Government must reckon. The increasing unpopularity of Prime Minister MacDonald's Cabinet may possibly bring a general election in the not distant future. In such an event Mr. Henderson could conceivably damage the chances of the pres-

ent government if it should have shirked its commitments to the cause of disarmament. Therefore his sharp statement from Geneva on Nov. 15 resulted in an emergency Cabinet meeting, following which Sir John Simon was immediately dispatched to Geneva. In Paris he was joined by the French Foreign Minister, Joseph Paul-Boncour, who had also readily responded to Mr. Henderson's call, since in recent months France, face to face with Hitlerism, had become the most conspicuous champion of the League. Neither Minister, however, was able to bring to Geneva any enthusiasm or any concrete proposals for a disarmament convention.

Sir John Simon, who, as spokesman for the three powers endorsing the disarmament plan which Germany rejected in October, received part of the blame for Hitler's abrupt secession from the League, favored delaying the conference further until the powers had approached some definite agreement by direct negotiation. M. Paul-Boncour, on the other hand, stood firmly on France's demand for security as embodied in the proposed three-power pact. Italy was represented only in the person of a minor delegate, and declined to join in any discussion.

Since these delegates were so radically at odds, Mr. Henderson was forced to agree on Nov. 21 to an adjournment of the conference until the middle of January, when the next meeting of the League Council is to take place. The agreement provided that in the interim every effort should be made to bring Germany back into the conference, and to lay the foundation for a treaty which would limit German rearmament and scale down the effective military forces of the armed powers. Mr. Henderson declared that if no results were

attained, he would resign the presidency.

News of the adjournment of the conference was well received in Italy. For three weeks a campaign against the League had been waged by the press, which is, of course, both inspired and controlled by Premier Mussolini. The Duce himself had called the League "absurd," and referred to its discussion as "mere inconclusive chatter." Furthermore, his own newspaper had published a prophecy that the Fascist Grand Council, at its meeting on Dec. 5, would "examine Italy's relations with the League in view of the departure of Japan and Germany, and the fact that the United States and Russia are not members." He permitted the rumor that Italy would withdraw entirely from Geneva to circulate for a few days. Within less than a week, on Nov. 25, he received an anxious call from Joseph Avenol, secretary of the League.

Meanwhile, reports came from Geneva to the effect that the League was to be reorganized. This would be done in such a way, it was said, as to conciliate the great powers (including the United States) who objected to the clauses providing for military action against peace-breakers, and to separate the League Covenant from the Treaty of Versailles, which is at present an abomination to Germany. When questioned in Rome about these reports, M. Avenol labeled them "pure invention." Later, after conferring with Premier Mussolini, he let it be known that Mussolini had promised that the Fascist Grand Council would not withdraw Italy from the League. It was reported on good authority, however, that he would at least demand a revision of procedure, particularly to enable the Council to act for the amendment of war treaties by a majority, rather than by a unanimous,

vote. And on Dec. 7 the world's press again carried information from the "highest quarters" in Rome that the Italian Government was carrying on diplomatic conversations looking to drastic changes in the covenant.

As for disarmament, the prediction that Premier Mussolini might try to organize a new conference under the Four-Power treaty, or a larger conference to include Russia and the United States, proved to have no substance. One insurmountable obstacle loomed before any such attempt—France. Germany had submitted her case to Mussolini in a lengthy document which Hermann Wilhelm Goering, Hitler's Minister of Aviation, had personally brought and discussed with him. Great Britain, having sided with France two months before, had now gradually approached the Italian point of view. Sir John Simon informed the House of Commons on Nov. 14 that the British Government had "communicated to Italy how well satisfied we were that the procedure which Italy has been urging on us has been the correct procedure." Mussolini also knew that Sir John had communicated with the Hitler Government, expressing confidence in Germany's love of peace, and a wish to "bring about once more a spirit of negotiation instead of keeping Germany at a distance."

The one endorsement that Mussolini lacked was that of France. For France has plainly come to look upon the Four-Power treaty, which she signed with Italy, Great Britain and Germany, as a trick and a snare. She distrusts any conference held within its framework, just as she distrusts Mussolini's own friendliness to Germany. Up to Dec. 1 she had not committed herself to any disarmament discussions outside the League, despite an increasing agitation in France itself for a *rapprochement* with Germany.

Since Hitler's first invitation to France in October to join with Germany in a two-power arms meeting, an important section of liberal and radical opinion in Paris has clamored for acceptance. As part of this clamor, the popular newspaper, *Le Matin*, contrived to publish, on Nov. 22, an interview with Hitler. The German Chancellor was quoted in such pacific terms as the following: "War will settle nothing. It will only make worse the condition of the world. * * * I am always ready, and I have given proof of it, to undertake negotiations with those who wish to talk with me." Glancing toward one of the most troublesome territorial issues still to be solved, he said: "Once the question of the Saar, which is German territory, is settled, there will be absolutely nothing that can estrange France and Germany." As to Germany's continued rearming in defiance of the Treaty of Versailles, Chancellor Hitler said nothing.

Two days later Hitler summoned the French Ambassador, M. François-Poncet, to a long interview. No communiqué was issued, but on good authority it was said that Hitler had made two proposals. The first was that France and Germany should settle the Saar question between themselves and at once, without waiting for the plebiscite under League auspices in 1935, by which the people of the district are to decide whether they will return to Germany or become French. The second proposal was that, if Germany were allowed to rearm up to a certain point, the Hitler Government would guarantee not to exceed that limit. Neither suggestion was acceptable in Paris. Though France expressed her willingness to exchange views with the German Government through regular diplomatic channels, she declined to be drawn into a for-

mal discussion. Nothing could convince her of Hitler's sincerity except a genuine effort to meet her demands for the limitation and supervision of German armaments.

During the past month instructive—and in a measure depressing—news of the naval activities of four great powers has come to light. Great Britain decided to change her program for the current year from three small cruisers and one medium-sized to two large cruisers and one small cruiser. Italy began construction of two 7,000-ton cruisers, and contemplated adding two more to her naval program for the following year. The United States launched her fifteenth cruiser, built under the London Naval Treaty, the 10,000-ton Tuscaloosa, armed with 8-inch guns. Meanwhile, the French Premier had declared: "Never have we had such an admirable military command. * * * Now that our new fortifications have been completed, we must occupy them, arm them and support them from behind with powerful reserves. We must maintain our frontiers with a great power of men and guns, and with ample reserves, which could be brought into action at the first sign of political tension." Supplementing this, even the liberal Edouard Herriot added: "Pacifism without any illusions remains our motto."

THE FLUCTUATING DOLLAR

Beginning on Nov. 2, as is related elsewhere (see page 454), President Roosevelt extended his campaign for reducing the value of the dollar into the foreign money markets. During the preceding week he had, step by step, raised the price for gold newly minted in the United States (with a statutory price at the mint of \$20.67 an ounce) from \$31.36 to \$32.36, hoping thus to depress the dollar in terms of commodities. When he found that

this had failed to produce the desired effect, he stated that he would buy gold abroad, thus pitting the dollar against gold exchange and sterling.

In Europe, Mr. Roosevelt's announcement provoked bitter criticism among the defenders of the pound and the franc. Some French bankers even went so far as to charge that the United States was trying to force their government off the gold standard. In Great Britain the most judicious financiers feared the approach of a currency war, while manufacturers were apprehensive lest the cheapening of American goods in world markets would place their own wares at a disadvantage. But President Roosevelt was not anxious to provoke the Bank of England and the Bank of France to retaliation and proceeded with great circumspection. The Reconstruction Finance Corporation empowered the Federal Reserve Bank of New York to buy, as its agent, certain quantities of gold in Paris or London. What these amounts were was not disclosed, but they were said to be small, totaling for the whole month, according to one estimate, not more than 15,000,000 francs.

Feeling certain, however, that President Roosevelt's policy was now definitely one of inflation, speculators in London and Paris opened a drive against the dollar. During the first week its fall was not spectacular, but beginning with the second week it dropped faster and faster, so that in London by the middle of November it had reached \$5.52 to the pound, as against \$4.77 on the first of the month, and in Paris it went to 14.88 francs, as against 16.96 a fortnight earlier. At this point fear was expressed that the dollar was no longer under control. Alarming estimates were made of the flight of American capital to London for investment in British securities and

gold. The Reconstruction Finance Corporation, which had continued to raise the price for domestic gold almost daily, suddenly became cautious and steadied it at \$33.56, keeping it there for five days. Because of the nervousness of the foreign market, rumors exercised considerable influence on the situation. For instance, the drop in the dollar was partly due to sensational reports, following the long leave of absence granted to Secretary of the Treasury Woodin and the resignation of his Under-Secretary, Dean Acheson, both of whom were regarded as advocates of "sound money." But when reports were cabled abroad that the opposition in the United States to Mr. Roosevelt's financial policy was growing formidable, short speculators in Europe began to cover their positions and the dollar moved upward. After various fluctuations it regained some of the lost ground, and stood at the end of the month at 16.37 francs, and \$5.17½ to the pound.

The first effect of the fluctuation of the dollar upon foreign finance and business was to instill a nervous uncertainty into the stock and commodity markets. French business men predicted that it might even paralyze international trade. London saw the previous encouraging rise in British commodity prices halt and hesitate. The pound soon developed an incorrigible tendency to climb in relation to the gold franc, and in fact at the end of November reached 84.25 francs, as against 80.50 on Nov. 1. That it did not rise higher was due to the constant activity of the British Equalization Fund, which, with resources of £300,000,000, sold pounds in order to keep their value under control. This process of selling pounds against francs and turning the francs purchased into gold at the Bank of

France constituted a heavy drain on France's gold stocks. The Bank's loss of gold reached serious proportions, till an average of 100,000,000 francs a day were going out of the country, almost 80 per cent of that amount to London. According to the Bank's reports, no less than 4,000,000,000 francs was withdrawn between Oct. 20 and Nov. 24.

An additional danger to the franc lay in the flight of private capital to London. All this created a vicious circle by which francs were sold for pounds in Paris, thereby forcing the pound to rise; the Equalization Fund then sold pounds against the franc, purchasing more French gold; and the apprehension among French capitalists increased. The chief foundation for the general concern about French currency, however, lay in the condition of the Treasury. (See the article, "The Economic Crisis in France," on page 421.) During 1933 three Cabinets had already fallen in a vain attempt to balance the budget, though the fourth, that with Camille Chautemps as Premier, has at least managed to get its proposals through the Chamber and send them on to the Senate.

WAR DEBTS

Owing partly to the instability of pound-dollar exchange Sir Frederick Leith-Ross, the British delegate sent to settle Great Britain's war debt to the United States, was totally unable to reach any agreement with the Roosevelt administration. After a month of conferences with Treasury officials he was forced to suspend negotiations and return to England. In order once more to exorcise the ghost of interest payments which semi-annually rises to haunt both governments, the United States agreed to accept on Dec. 15 a token payment of \$7,500,000.

The Roosevelt Program Under Fire

By E. FRANCIS BROWN

THE honeymoon of the Roosevelt Administration ended definitely in November when it was subjected to attacks from without and dissension within. The change did not come unheralded; in fact, the opposition of conservatives in business and finance had been growing for a long while, but the timing, accidental or otherwise, of criticism so that it coincided with violence in the farm belt of the Middle West confused the public mind, however much it may have failed to dismay the administration.

The brunt of the onslaught was directed against the administration's monetary policy. (See December CURRENT HISTORY, page 333.) Though there has been not a little mystery as to the purpose of this policy, the generally accepted belief is that, through raising the price of gold and thus automatically decreasing the value of the dollar, the government seeks to lift commodity prices to a level approximately that of 1925-26. How long an interval must elapse between the reduction in the value of the dollar and the rise in the price of commodities is probably unknown; certainly it would not be instantaneous.

Between Oct. 25 and Nov. 28 *The Annalist* index of commodity prices fell from 103.8 to 101.9; for two weeks it had remained practically unchanged; then, for the week ended Nov. 14, it rose to 104.9, sagging thereafter to 102.8 and 101.9. But in the meantime the government had

raised the price of gold from \$31.36 to \$33.85 an ounce. Apparently the gold policy either was not working or else it was working more slowly than the uninitiated had anticipated. In any event, the failure of commodity prices to rise gave the President's critics the opening they sought, while a decline in quotations for government bonds set loose the fear that in the near future the Treasury would be unable to carry out refinancing operations and thus would be obliged to have recourse to some sort of direct currency inflation. How real was the danger it was difficult to decide in the heat of the controversy that had broken out. Certainly the Treasury's success in floating a \$950,000,000 loan in one-year 2¼ per cent certificates seemed to testify on Dec. 7 that the credit of the government was still sound. (For the foreign repercussions of the gold-buying policy, see Professor Nevins's article on page 452.)

From the moment on Oct. 22 when President Roosevelt announced that the gold value of the dollar would be controlled in the interest of raising commodity prices, rumbles of discontent were heard throughout the so-called sound-money circles. The rumbling grew louder and louder until by Nov. 21, when Dr. O. M. W. Sprague resigned as economic adviser to the Treasury Department, it had become a roar. Dr. Sprague protested that the administration's policy "threatens a complete breakdown of the credit of the government" and declared that

he was prepared to join in a fight against "a drift into unrestrained inflation."

A week before Dr. Sprague's resignation, Secretary of the Treasury Woodin had been granted an indefinite leave of absence in search of health and Henry Morgenthau Jr., governor of the Farm Credit Administration, had been appointed Acting Secretary. Under-Secretary Acheson, who was known to be opposed to the administration's fiscal policies, resigned. Earlier Mr. Woodin had insisted that he was "heartily in sympathy" with all the President's policies, but it was generally believed that this sympathy was inspired by the fear of something worse if the gold purchases should fail to attain the desired end. While the Secretary's leave of absence unquestionably was due to his continued illness, his departure from Washington, the resignation of Mr. Acheson and, soon after, that of Dr. Sprague seemed to indicate that the innermost circles of the administration were disrupted by measures which outsiders were assailing as inflationary and unsound.

The United States Chamber of Commerce on Nov. 18 adopted resolutions demanding "an early return to a gold basis" and decried all money experimentation. Soon afterward Bernard M. Baruch, writing in *The Saturday Evening Post*, characterized inflation as "an act of desperation." Then came Dr. Sprague's resignation—the signal for new attacks. Resolutions adopted by the advisory council of the Federal Reserve Board demanded a stabilized currency and denounced currency inflation. James P. Warburg, New York banker and former financial adviser to the American delegation to the World Economic Conference, called the administration's monetary theory unworkable and asked

for an "improved and modernized" gold standard. For two weeks longer criticism of the government's monetary policy continued, drawing in men as prominent as Alfred E. Smith (who stated that he was for "gold dollars as against baloney dollars") as well as less well-known figures in American life.

The climax of what was undoubtedly only the first offensive against the President's monetary policy was reached on Nov. 28 when it was discussed by rival meetings in New York City. In the Hippodrome 6,000 or more persons gathered, while thousands outside clamored for admission, to listen to Father Coughlin, the well-known radio priest of Detroit, defend the President and fall upon his critics. Father Coughlin may have the attributes of the demagogue, but he strikes the popular note; and his audience in New York was with him, even to the extent of approving his attack on the city's former idol, Al Smith. At Carnegie Hall, where a sound-money meeting had attracted an audience of only about 2,500, speakers were continually heckled and left their hearers unmoved. The next morning observers were inclined to give the honors to the President's supporters.

Why these two meetings, seemingly unimportant, should have halted the fight against currency experimentation is any one's guess, but thereafter discussion and argument tapered off. The conservatives perhaps found themselves less in agreement, except in regard to fiat money, than they had supposed; currency radicals likewise were not united on a common policy. Moreover, even the conservatives were prepared to accept a devalued dollar, so long as it was stabilized, and some like Mr. Warburg were willing to adopt a new kind of gold standard. Thus it may be that the two groups

are not as far apart as had seemed; possibly definite lines will not be drawn until Congress meets.

In no strict sense do these lines mark class divisions. Academic economists both opposed and favored what the government was doing. Wall Street was not of one mind, nor were industry and commerce. While undoubtedly the chief drive for some sort of inflation came from the agricultural areas, these regions were no more united than were the urban centres. Superficially, it appeared that the real division was between the conservatives who wanted to adhere to what was tried and known and the liberals who were prepared to experiment within wide limits. The genuine radicals, as throughout the unfolding of the Roosevelt program, cried, "A plague on both your houses."

Any attempt to assess the public attitude toward the controversy is probably dangerous; yet certain points seem reasonably clear. No one wants to duplicate the German inflation experience. There is a feeling, however, that the "sound dollar" has worked unfairly, to the debtors' disadvantage, and that possibly some new monetary system will overcome the penalties attached to the former dollar. Such sentiment, of course, crystallizes about the commodity dollar. Furthermore, the advocates of "sound money" are drawn largely from the groups which in the public mind are identified with the evils of the period of "prosperity"—men who since 1929 have been revealed as false gods. Finally, popular confidence in President Roosevelt remains so great that there is a fairly general attitude of letting him try to devise a dollar which if not "sound" will at least be "honest."

UNREST AMONG FARMERS

But the monetary program has not been the only source of trouble for

President Roosevelt and his advisers. Out of the West came the clamor of farm strikes accompanied by violence; out of the West, also, came word that the NRA was sharing unpopularity with the AAA. Only rapid work on the part of the administration liquidated this threatening situation.

Late in October farm unrest in the Middle West promised to repeat the scenes that had been enacted there in the last months of the Hoover administration. Nor were the causes any different: prices received by the farmer for his products were inadequate for him to buy goods needed for his personal use and to conduct his business. The failure of his real income to increase to a point where he could make both ends meet created distrust of the whole recovery program. The sentiment was not universal, but widespread enough to make it seem, when the Farmers' Holiday Association called a strike, as if the entire Middle West were about to burst into flame.

Post-haste to Washington came the Governors of Iowa, Wisconsin, Minnesota, North Dakota and South Dakota to confer, on Nov. 2, with President Roosevelt. Their proposals for a system of price-fixing were rejected by the President as impracticable and because they embodied "complete regimentation" of agriculture, which would be unpopular with the majority of farmers. But rejection of the Governors' proposals did not mean that the administration had turned its back on agriculture.

To explain the recovery program to the Middle West, both General Johnson and Secretary Wallace made hurried speaking tours in half a dozen States in the second week of November. Probably neither man won many converts, but the loyalty of the thousands who had been supporting the President from the start was strength-

ened and by sheer force of personality these spokesmen of the administration left with their audiences a feeling that the administrators of the NRA and the AAA knew what they were about and that they had the welfare of all sections at heart.

Probably mere talk would not have served the purpose of the President had it not been reinforced almost immediately with checks sent out as part of the corn-hog program. (See December CURRENT HISTORY, page 337.) Iowans and Nebraskans, with the expectation of loans totaling about \$40,000,000 and \$20,000,000 respectively, found reason enough to celebrate Thanksgiving and to turn their faces again toward the man in the White House. These measures ended the farm strikes which cold weather had already begun to make difficult to continue.

Wheat, cotton, corn and hogs have now been taken care of by the AAA through devices which amount to a direct subsidy to agriculture. No one is more ready to admit the economic unsoundness of these steps than the administration. The excuse, however, is the present emergency, the need of tiding the farmers over a period of painfully adjusting themselves—to what is as yet unknown. Secretary Wallace in recent speeches has made clear his belief that the United States must decide whether it has "the courage and the tenacity that will be required to take and to stick to, either the international path, the national path, or to a planned path between the two, for long and perhaps trying years of readjustment." Only when the decision has been made can a sound, permanent policy be devised for agriculture. But there must be some decision, since subsidies cannot be continued forever.

INDUSTRY AND LABOR

The NRA, disregarded by some industries and bitterly criticized by business leaders, has found stout defenders in the person of the President and his administrators. At Savannah on Nov. 18, Mr. Roosevelt called his critics "Tories" and "doubting Thomases" and assured his Southern audience that "we are on the way." Donald R. Richberg, general counsel for the NRA, had told New Yorkers a fortnight earlier that "the Tories and the ultra-radicals within our borders will do their best to make our efforts fail." Similar speeches in the four corners of the land sought to still the criticism that emanated from groups like the United States Chamber of Commerce and the National Founders Association.

Almost unnoticed the drafting and adoption of industrial codes proceeded during November. Codes for the anthracite industry, for air lines, the movies and many less important enterprises have now been signed, bringing nearer the time when all American industry and trade will be codified. Enforcement will then come to the fore to a greater extent than it has so far. Though industry is supposed to govern itself, one would be naïve to suppose that self-government assures the abolition of practices which in the past have filled business history with stories of buccaneering.

Not all industries have been under the supervision of the NRA. Those manufacturing commodities derived from farm products have been under the AAA, which has favored much more stringent regulation than that established by most of the NRA codes. Pressure against such strict control came to a head on Dec. 6, after several days of rumors about disagreement in the AAA, when at a

conference between the President, the Secretary of Agriculture and George N. Peek, administrator of the AAA, Mr. Roosevelt transferred authority over many codes from the AAA to the NRA. Mr. Peek had opposed the position taken by other officials in the Department of Agriculture, favoring a minimum of regulation instead of a control which would extend to the point of definitely restricting profits in the interest of consumer protection. But the President's action did not prevent Mr. Peek's withdrawal from the AAA because of his opposition to the "radical" policy of the Agricultural Department. Presumably this flare-up was only the forerunner of many which will eventually decide whether the course of the administration is to be to the left or to the right.

Labor's position under the NRA appeared more promising after General Johnson, on Dec. 4, had agreed that organized labor should be represented on code authorities. The general's action closed a dispute which had continued for about two months, during which organized labor, supported by Secretary Perkins, had insisted upon a voice in the direction of the codes.

The position of organized labor has been improved also by elections in various plants which have tended to favor independent as against company unions. Perhaps the most notable was the vote of workers in the Colorado Fuel & Iron Company to affiliate with the United Mine Workers; thus came to an end one of the most famous company unions in America. Elections in other concerns indicated that, where workers were not subjected to coercion, independent unions were preferred to employer organizations. The battle, of course, is far from over, for employers have shown no tendency to recognize what in all justice

might be considered the rights of labor. For proof one has only to cite the stand against collective bargaining taken by the National Association of Manufacturers.

In the larger sense, labor could find only slight encouragement in American conditions. According to the American Federation of Labor, 10,076,000 were unemployed in October, an increase of about 11,000 over September. Buying power of workers, however, rose 2.2 per cent during the month. These figures at least are better than for October, 1932, when 11,586,000 were estimated as out of work, and certainly reflect improved conditions since March, when 13,689,000 were unemployed.

RELIEF AND PUBLIC WORKS

Even with greater employment, the relief burden, after four years of economic disaster, has become so heavy that the Federal Government alone has the strength to shoulder it. That fact underlay President Roosevelt's announcement on Nov. 8 that funds drawn from the Public Works Administration would be used to give employment to 4,000,000 men on civil works projects during the Winter. While States, counties and cities were expected to contribute toward the cost of so vast a program, a large share was to be borne by the Emergency Relief Administration. The new plan contemplated taking off the relief rolls approximately 2,000,000 men and putting them to work on road, park and playground construction, drainage projects and so on; an additional 2,000,000 would be recruited from those unemployed who have not received direct aid; average wages of \$50 a month would be paid, it was announced, and the working week would be limited to thirty hours.

Harry L. Hopkins, administrator of

this newly created Civil Works Administration, explained that one purpose of the plan was to permit citizens to escape from living "under the auspices of relief organizations." But the official White House statement indicated that some means had to be found for speeding up the public works program, which for months had been proceeding too cautiously for an emergency measure. The \$400,000,000 obtained from the PWA and \$200,000,000 from the Federal Emergency Relief Administration would provide employment for hosts of men, and, not least, "use greater quantities of construction materials" than had been needed under the former system of jobless relief.

That the Civil Works program was an attempt to cloak the failure of the PWA was asserted by Alfred E. Smith in the *New Outlook* on Dec. 1. The CWA, he said, "was created to hide the failure of another existing Federal agency. It was set up because the PWA, or the Public Works Administration, has broken down." Continuing, he wrote: "I cannot for the life of me see * * * how this hastily conceived Civil Works program can lead ultimately to anything but confusion."

Mr. Smith's attack, emphasizing further his disagreement with President Roosevelt, his former ally and friend, brought immediate replies from Secretary Ickes and Mr. Hopkins. The latter pointed out that the CWA in the first week of its operation had given employment to 1,183,267 persons and that 4,000,000 would be at work by Dec. 15. Mr. Ickes, the administrator of the PWA, denied Mr. Smith's strictures and struck home with the comment that "it is impossible to satisfy any man who is nourishing a grudge as the result of disappointed ambitions."

But the real significance of the CWA is that, even as earlier measures indicated, the Federal Government has assumed responsibility for the care of the unemployed. Made-work, distribution of coal and food-stuffs, home relief now spring from national rather than local agencies. To be sure, private charity and local aid have not disappeared, but their relative importance has declined, a change that can be attributed partly to the philosophy of the Roosevelt administration, but still more to the fact that only the Federal Government is capable of coping with the magnitude of the unemployment problem.

Though the Public Works Administration may have proved disappointing for the purposes of an emergency, its allotments have been of great importance and cannot help but give some stimulus, however small, to industry. Besides public projects like sewers, water systems, bridges and so on, grants have been made for municipally owned power plants and public housing construction. When the two latter are considered with the work of the Tennessee Valley Authority, one understands why the administration is accused of fostering public ownership.

BUSINESS IMPROVEMENT

Business has shown improvement, spotty, to be sure, but yet above that of 1932. *The New York Times* index of business activity for the week ended Oct. 28, 1933, was 75.6; the next week it fell to 72.5 and then rose to 74.8 for the week ended Nov. 25. The index stood at 68.3 for the corresponding week in 1932. Bank clearings and outstanding bank credit have shown slight increases; dividends have risen sharply; steel production, after falling to about 26 per cent of capacity, had, by early December, turned upward again, reaching about 30 per cent. Ex-

ports in October totaled \$194,000,000—the highest figure for any month since October, 1931—an improvement which undoubtedly can be attributed in part to the low value of the dollar in foreign exchange. Colder weather and the approach of the holiday season gave a fillip to retail trade, while the legalizing of alcoholic beverages promised to give many lines of business activity a new lease on life.

THE RETURN OF LIQUOR

The experiment in nation-wide prohibition ended on Dec. 5 when Utah fell into line as the thirty-sixth State to ratify the repeal amendment to the Constitution. The result, long forecast and assured since the elections on Nov. 7, opened a new chapter in the history of the liquor problem. Temporarily at least, the Federal Government assumed control of the liquor traffic, following the signing on Nov. 27 of a code for distillers. A Federal Alcohol Control Administration, under the jurisdiction of the AAA, is to have general supervision of all branches of the liquor industry, working through codes, and will seek to protect the dry States from violation of their laws. Through the code provisions, or the decisions of the FACA, the government will be in a position to control production, distribution and prices. Importation of liquor, for the first sixty-day period after repeal, was placed on a quota basis by which imports from any foreign country were not to be less than the average amount imported from that country in a like period from July 1, 1910, to June 30, 1914.

Undoubtedly rigid Federal supervision had not been foreseen either by the liquor interests or by many of the groups that agitated against the Eighteenth Amendment. Since the attack on prohibition had been waged

largely on the basis of States' rights, it had been presumed that regulation, except in so far as Federal protection of the dry States might be necessary, would be directed from the forty-eight State capitals rather than from Washington. But much has happened since 1932. Today it seems only logical that, as other industries are operating under codes, the liquor business should also fall into line. Furthermore, President Roosevelt, having linked repeal with his recovery program, might well be expected to retain control of both at the national capital.

Meanwhile, the States considered systems of control. When repeal became effective, twenty-four States forbade the sale of liquor; several were without any control, and the rest were operating under the greatest variety of systems. Some permitted drinking with meals only, except that hard liquor in packages could be purchased for off-premises consumption. Others prohibited bars but allowed drinking at tables. Perhaps the most interesting experiment was that of Pennsylvania, where after Jan. 1 liquor was to be sold only by State dispensaries.

With repeal ended certain recovery taxes—the extra tax on gasoline, the 5 per cent levy on dividends, the capital-stock levy and the excess-profits tax on corporations. The Ways and Means Committee of the House has been at work drafting new tax legislation which will take cognizance of the new situation created by repeal, although liquor taxes, of course, will be only part of the general tax bill that is to be introduced in Congress. By agreement of all interested parties, liquor taxes are to be kept low enough to discourage bootlegging.

SIDELIGHTS OF THE MONTH

November, for no particular reason, produced new scenes in what a cele-

brated commentator has called the American comedy. At Chicago occurred a gruesome murder—on an operating table in a physician's office—so mysterious that it seemed likely that only a Philo Vance could solve it. The thrill of horror had scarcely passed through the country when at San José, Calif., two confessed kidnappers and murderers were lynched while men, women and children watched. The lynching itself might have been passed over had it not been approved by Governor Rolph of California as a "good job," a statement which stirred up protests from sane and thinking citizens the nation over, and ultimately brought a thinly veiled but emphatic rebuke from the President of the United States. On Nov. 28, two days after the affair at San José, a Negro was lynched in Missouri for a confessed attack on a white girl. That same day Governor Ritchie of Maryland sent State troops into the town of Salisbury on the Eastern Shore to seize men alleged to have been connected with the lynching of a Negro at Princess Anne on Oct. 18. Mobs collected rapidly, menacing the troopers, and it was not without danger that they withdrew with their prisoners to Baltimore.

Meanwhile at Decatur, Ala., the Scottsboro case was again before the courts. Heywood Patterson, one of the seven Negroes charged with criminal assault upon two white girls on a Southern Railway freight train in March, 1931, appeared for the third time before the bar of justice. On Dec. 1, also for the third time, he was found guilty after a trial that had been marked by decisions from the bench and a charge to the jury which did not coincide with the popular conception of impartial justice. An appeal to the Supreme Court of the United States appeared certain.

In New York City during the latter part of November the trial of a noted beer king brought forth all the bizarre details of life in the underworld. Stories of murder, of fights between rival bootleg factions, of luxurious living on a standard seldom realized outside cheap novels, of stupendous profits from illicit liquor traffic made the trial of Waxey Gordon unusually picturesque and combined to assure his conviction on charges of income tax evasion.

Another picturesque episode of the month occurred at New Orleans, where a subcommittee of the United States Senate was inquiring into the election of Senator John H. Overton, a supporter of Senator Huey P. Long, "Kingfish" of Louisiana. Hearings were accompanied by what were almost riots between the Long and the anti-Long factions; order could not be maintained during the booing, hissing and face-making that continued through the sessions held by the committee, and at one meeting the police had to be called in. Meanwhile the Long machine, which rules the State ruthlessly, was trying to railroad through a candidate for Congress in a special election on Dec. 5. There had been no primary; there was no opposing candidate; so in protest the anti-Long groups seized and burned ballots printed for the election. Nevertheless, the Long candidate was victorious in a poll of about 4,800 voters out of a total of 45,141 registered.

Such episodes, exceptional though they may be, are as necessary to any survey of America as a discussion of monetary policy and the NRA, for the United States in all its vastness and variety can be understood only when the actual lives of its people are considered in conjunction with the broader and more impersonal forces that make history.

Cuba Lives Through Another Revolt

By CHARLES W. HACKETT

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THE Grau San Martín régime in Cuba succeeded in putting down the second revolt against its authority within the period of a month on Nov. 8 and 9. This new challenge, like that of the army officers who converted the National Hotel into a fortress early in October, came from the supporters of former Provisional President Carlos Manuel de Cespedes.

Rebellious aviation sergeants, reinforced by members of the ABC secret society, occupied the hangars at Camp Columbia near Havana early on the morning of Nov. 8. Though driven from the aviation field by the loyal troops of Colonel Fulgencio Batista, Chief of Staff, they were soon joined by the garrisons of Forts Dragones, Atares and San Ambrosio, by all the police stations in Havana and by many civilians. During the two-day battle that ensued the Cuban gunboats, Cuba and Patria, and most of the army remained loyal to the government. Sections of Havana were frequently raked by the artillery and machine guns of both factions.

Police headquarters were captured by government troops on the afternoon of Nov. 8, but the outstanding military event centred at Fort Atares. There, under the command of the celebrated anti-Machado guerrilla leader, Colonel Juan Blas Hernández, troops from the other rebel fortresses concentrated after the reverses of Nov. 8. Loyal military and naval forces began a bombardment of the fortress at 10 o'clock on Nov. 9 and

six hours later, after Colonel Hernández had been killed, the defenders surrendered. Havana again became virtually a battlefield on Nov. 11 when scattered rebel forces began a sniping campaign in the streets and from roofs. The revolt was finally crushed but at the cost of three hundred lives, or probably a greater death toll than that of any other uprising since Cuban independence.

With comparative peace restored in Havana, the government proceeded to consider what to do with the captured rebels. Twenty-seven prisoners under 18 years of age were released on Nov. 13. Sergeant Basilio González and Corporal Homobono Rodríguez, alleged leaders of the revolt, were sentenced to face firing squads and one sergeant, three corporals and nineteen privates were dishonorably discharged from the army and sentenced to imprisonment for four years.

The victory of the Grau San Martín government clearly revealed its military strength at the capital. Both its political position in Havana and its international prestige were strengthened. Nevertheless, the government's already slight control over the interior of the island was further weakened by the Havana rebellion. In connection with it, uprisings occurred at various places throughout Cuba, thereby intensifying already chaotic conditions. Oriente Province was reported on Nov. 11 to be seething with unrest and military activity, and Santiago was combating a strong rebel movement. Con-

siderable numbers of rebels were reported under arms in Santa Clara, Matanzas and Camaguey Provinces. By mid-November, according to one observer, government in the interior of Cuba had degenerated into a mass of conflicting autonomies, with Chief of Staff Fulgencio Batista apparently exercising no more effective control over the military detachments outside the capital than did President Grau over the civil administration.

Shortly after the outbreak of the rebellion on Nov. 8 a state of siege throughout Cuba was proclaimed by President Grau. Minister of War Guiteras announced on Nov. 11 that this precaution would soon be withdrawn in Havana, but would be continued elsewhere in the republic. A week later, as rumors of a new revolutionary movement continued to spread in Havana and occasional bomb-throwers and snipers continued their activity, special steps were taken to safeguard the Presidential palace. War Minister Guiteras also declared that martial law would be strictly enforced, and that plans for liberating political prisoners would be abandoned.

The anticipated rebellion failed to materialize, but conditions did not improve noticeably either in Havana or in the provinces. A staff correspondent of the *New York Herald Tribune* reported on Nov. 25 that the different classes in Cuba were ranged against each other in a social revolution, that government troops were clashing with rebel bands in Oriente Province, and that thievery and pillaging were increasing in Havana.

A formula for conciliation was offered to the Grau Government and its opponents on Nov. 27 by the Uruguayan Minister to Cuba, Dr. Fernández Medina, who played the rôle of unofficial mediator. This formula provided for the liberation of political

prisoners, the formation of a council of state of sixty members chosen by commercial, professional and political groups to cooperate with and advise the government; the formation of a coalition Cabinet, and the prompt election of a constituent assembly which would replace the present provisional government.

The peace formula failed to secure unanimous support and dispatches on Nov. 28 stated that bursting bombs in Havana and new strikes and disorders stood out in bold contrast to the conciliation which Dr. Medina tried to bring about. At the same time Santiago was excited over sniping, bombings and student disorders which resulted in the wounding of three persons; the city of Camaguey was recovering from the alarm attending the bursting, without casualties, of seven bombs, and in Oriente Province the strike already in progress at the sugar mills spread to the United Fruit Company's plant near Banés. Nevertheless, Dr. Medina claimed that all factions had accepted his peace plan except the ABC Society and the supporters of former President Mario G. Menocal.

The Roosevelt administration continued during November to keep a close watch on the Cuban situation. It reiterated its disinterestedness in the factional struggle in Cuba, maintained its policy of non-intervention and withheld recognition. President Roosevelt had a lengthy conference with Ambassador Sumner Welles at the latter's request on Nov. 19 at Warm Springs, Ga. Rumors after the conference that Mr. Welles would relinquish his post were temporarily silenced by the President's statement that, at his request, the Ambassador was to proceed to Washington for several days of conferences with Department of State officials before returning to Havana.

Four days later President Roosevelt announced that Ambassador Welles would return to Cuba within a few days, but that upon the termination of his mission, which was expected in the near future, he would resume his former duties as Assistant Secretary of State. He would then be replaced as Ambassador by Jefferson Caffery, the present Assistant Secretary of State.

As an introduction to the above announcement the President, in an unexpected and dramatic statement, summarized the attitude of his administration toward recent developments in Cuba. He promised to "welcome any provisional government * * * in which the Cuban people demonstrate their confidence," and expressed the earnest hope that the Cuban people themselves would soon "reach a peaceful agreement which may result in general support of a government."

MEXICAN RULERS' LENIENCY

The Mexican Government, apparently confident of its stability, has recently pursued a remarkably lenient policy toward both military and political malcontents. Nine young officers were indicted late in October for complicity in a plot to seize the control of the army from the higher-ranking officers. The successful sergeants' revolution in Cuba was to serve as their model. After an investigation by President Rodríguez, former President Calles and twelve military commanders to ascertain the extent of the plot, the nine officers were released. In explanation of this generous action, the Ministry of War announced that the young men did not know what they were doing and that "leniency is the only way to bring them to their senses." It was rumored, however,

that most of them would be dismissed from the service.

The government's action in freeing two prominent opponents of the dominant National Revolutionary party, Aurelio J. Manrique and Antonio I. Villareal, was equally generous. In addressing a crowd of 7,000 militant supporters in Mexico City on Nov. 19, these men attacked individual leaders of the National Revolutionary party and declared that "the crimes of Díaz and Huerta have been surpassed by the revolutionary government." After the meeting had been broken up by police using tear-gas bombs and sabres the speakers were arrested, but were released after a short detention.

A bill relating to army discipline was sent to the Chamber of Deputies by President Rodríguez on Nov. 16. It provides that military officers who participated in revolutionary activities after 1926 will lose their rank in the army and will never be allowed to return to it except that in case of war between Mexico and another country they might serve on receiving special permission from the President.

THE MEXICAN CHURCH ISSUE

That the Mexican Government is still suspicious of Catholic intrigues against the government and that it has in no wise relaxed its anti-clerical measures has again been made apparent. At the University of Guadalajara, where students began militant agitation for the right to govern themselves in October, there was renewed rioting in mid-November. Eighteen students and one policeman were injured. Minister of War Calles was quick to place responsibility for the riot on the clergy. He declared that he had found "the hidden and false hand of the clergy with fanatical elements" behind the student move-

ment. He also gave indirect warning to the clergy in the following statement to Governor Allende of the State of Jalisco: "If this state of affairs continues I am afraid the revolutionary elements * * * freed from clerical influence by Mexico's revolution, will take action to castigate and reduce to order those instigators against whom the public authorities may be unable to take sufficiently energetic action. They are eternal enemies of Mexico's progress." Archbishop Pascual Díaz denied that the Catholic clergy were connected with the student movement to obtain autonomy in their schools.

A law permitting only one priest to every 30,000 inhabitants was promulgated in the State of Durango in mid-November. In protest to a similar law in the State of Querétaro religious services were suspended in all churches in the city of Querétaro on Nov. 19.

Ratifications of the convention between the United States and Mexico for the rectification of the Rio Grande in the vicinity of El Paso were formally exchanged on Nov. 10. Two days later a plan for the construction of flood control works at Nogales, Ariz., and Nogales, Mexico, was signed by the American and Mexican commissioners on the Mexican-American section of the International Boundary Commission. For the work to be performed at Nogales, Ariz., the Public Works Administration at Washington recently allotted the sum of \$433,000.

The Mexican Congress has been asked by the Department of Communications for an appropriation of 42,000,000 pesos for road construction. If the money is granted, a large part of it will be used to construct the Mexican section of the Los Angeles-Buenos Aires highway.

According to custom, Mexico celebrated the twenty-third anniversary of the outbreak of the Madero revolution on Nov. 19, when 30,000 athletes, representing all branches of Mexican sport, paraded before the President.

TRADE IN THE CANAL ZONE

The promises made by President Roosevelt to President Arias of Panamá in their recent conversations in Washington regarding private business enterprises in the Canal Zone are already being fulfilled. Early in November Canal Zone clubhouses were closed to all patrons except those in the employ of the United States Government or the Pacific Railroad Company. At the same time the restrictions of Panama Canal facilities and sales agreed upon by the two Presidents were made public by Governor Julian L. Schley of the Canal Zone. One of these affected "tourist goods," which commissaries are now forbidden to dispose of for resale on ships passing through the canal. This prohibition particularly affects items such as perfumes, which can be imported into the Canal Zone free of duty. By another provision lunch rooms and restaurants operated under private contract are to be discontinued as soon as practicable. As a result of the restrictions much of the Canal Zone's private business is expected to go to Panamá.

President Arias returned to Panamá from his trip to the United States by airplane. He stopped forty hours in Mexico City and for shorter visits at San Salvador and Managua. Everywhere he was received with the highest honors, and when he reached Panamá, on Oct. 28, he was given the greatest ovation in the history of the country.

The Conference at Montevideo

By HENRY GRATTAN DOYLE

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UNFORTUNATELY, the measure of success for the representatives of the United States at a Pan-American Conference has come to be their ability to "sit on the lid," to prevent discussion of matters which it is not American policy to discuss, or which, if discussed, could only bring out justified criticism of our actions and attitudes. In recent months there were many suggestions that in view of our domestic economic condition, the breakdown of the London Economic Conference, and the delicate situation in Cuba, it would be just as well if the seventh Pan-American Conference were postponed. Against these suggestions President Roosevelt stood firm. There was no intimation from the United States that the conference should be put off—an intimation that would undoubtedly have been heeded.

Accordingly the conference met at Montevideo on Dec. 3 and an American delegation was present. There is apparently no united Latin-American bloc opposed openly or secretly to the United States, as in 1928, and our friends come not from States over which we have exercised a virtual protectorate but from some of the largest and strongest of our Latin-American neighbors.

If what has been said above proves to be true, not only at the moment but when the complete story of the conference shall have been written, a due measure of credit must be assigned to a number of factors. The first is the attitude of our President, as shown by

his "good neighbor" reference in his inaugural address and his speech on Pan-American Day, by his unwillingness to intervene in Cuba and by his frankness in dealing with our sister American States, manifested notably by taking them into his confidence when the Cuban situation first became critical. Secondly, the character of our delegation, for which the President also deserves credit, must be remembered. Moreover, the place of meeting, far removed from our "sphere of interest" in the Caribbean, has been a definite asset.

Secretary Hull, as chief of our delegation, is not, and does not seek to be, the imposing figure that nature and circumstances made of Charles Evans Hughes, who headed our delegation at Havana in 1928. Yet Mr. Hull proved at London, and is apparently proving again at Montevideo, that he can win the respect and liking of his diplomatic opponents or co-workers by his modesty and simplicity, his sincere democracy, his obvious good intentions. The other members of the delegation are worthy of their leader. J. Reuben Clark, well known in Latin America as the author of a much-discussed memorandum on the Monroe Doctrine written while serving as Assistant Secretary of State, has a profound knowledge of international law and an unusual appreciation of Latin-American culture. Spruille Braden has an intimate knowledge of business conditions in South America. J. Butler Wright, our Minister to Uruguay, and

Alexander W. Weddell, Ambassador to Argentina, are both "career men" of wide service. Miss Sophonisba Preston Breckenridge, the surprise appointment to the delegation, is the first woman to serve as delegate from the United States to a Pan-American Conference. A professor at the University of Chicago, she is familiar with Latin-American problems through service as a delegate to the Child Welfare Conference held at Lima in 1930.

The experts accompanying the delegation include Wallace McClure of the State Department and James C. Corliss of the Department of Commerce, the latter an authority on Latin-American fiscal and monetary questions. The majority of members of the delegation speak Spanish, and at least two of them can make an acceptable speech in Spanish.

With the Uruguayan Foreign Minister, Dr. Alberto Mane, as presiding officer and Señor Enrique Buero, also of Uruguay, as Secretary General, the conference was opened with an address by President Gabriel Terra of Uruguay. "The American ideal of peace must not be buried in the swamps of the Chaco," he declared. "We cannot leave as mere declarations those noble pacts which have united us in the past and which have been confirmed in the anti-war pact recently signed in Rio de Janeiro, on the initiative of the Argentine Republic, by Argentina, Brazil, Chile, Paraguay, Mexico and Uruguay." Speaking of economic questions, President Terra recalled that he had represented Uruguay at the Washington conference of 1915 and the Buenos Aires conference of 1916, at both of which Uruguay presented a proposal, which was unanimously adopted, declaring for reciprocal customs concessions among the American republics. "Although accepted by these two conferences," he said, "this pro-

posal, instead of being complied with, has been fought and counteracted by antagonistic policies. The Hawley-Smoot tariff has almost closed United States markets to our industrial and agricultural products, and for three years has made it impossible for us to pay our public and private debts."

Dr. Terra's address brought upon the tapis two questions which had been foremost in discussions of the conference since it was announced—the Chaco war between Bolivia and Paraguay and the fundamental economic problems of the American States. While Secretary Hull was understood to prefer discussion of the Chaco problem outside the conference chamber, there has been no indication that the United States would oppose its consideration.

As for economic questions, President Roosevelt had issued a statement on the eve of the departure of the American delegation (Nov. 9) in which he declared that "unsettled conditions, such as European commercial quota restrictions, have made it seem desirable for the United States to forego immediate discussions of such matters as currency stabilization, uniform import prohibitions, permanent customs duties and the like." As substitutes, the President suggested, among other things, problems of communications, including the proposed Pan-American highway. This statement was widely discussed in the American press and from varying points of view. Some commentators saw in it an emasculation of the conference; others spoke of "Pan American, Limited," or ironically commended the President for killing the conference before it got under way instead of waiting, as in the case of the London Conference, to give the *coup de grâce* in the midst of its deliberations.

On the other hand, some editors

agreed that "while international monetary stabilization and tariff reduction are essential to world recovery," "it would be absurd to attempt such stabilization until the United States and Great Britain, the two chief nations, have reached the points in their internal economy where joint action is possible." "Therefore," according to this representative comment supporting the President, "it is both honest and expedient to postpone the monetary and tariff questions at Montevideo."

These comments almost universally leave out of consideration several factors. Among these are the President's promise, in the same statement, to revive these questions "when the temporary conditions necessitating emergency policies have passed," and his use of such qualified phrases as "immediate discussions," "permanent customs duties," and the like, which do not, in the writer's opinion, definitely close the door to constructive action looking toward (1) temporary relief from tariff burdens, and (2) plans for subsequent consideration of all the factors now disturbing inter-American economic relations. As a matter of fact, Argentina has proposed an Inter-American Economic Conference at a later date. The significance of the presence in Montevideo of Mr. McClure and Mr. Corliss should not be overlooked, nor the President's previously demonstrated willingness to discuss commercial questions with individual American nations. It is not likely that he has abandoned his previous policy, nor is it likely that he expects the conference to be a fiasco; otherwise he would not have opposed its postponement.

That this possibility had been envisaged by delegates to the conference was brought out by certain Uruguayan proposals. On Nov. 17 the Sec-

retary General of the conference, Señor Enrique Buero of Uruguay, in an interview concerning President Roosevelt's statement, said: "We realize that the United States is in the midst of a tremendous social and economic experiment. We well understand that the United States delegates cannot come to Montevideo and help us reach international decisions on these problems while they do not know what their own internal conditions are going to be." In spite of this acceptance of President Roosevelt's viewpoint, the Uruguayan Under-Secretary, Señor Mateo Márquez Castro, proposed, on Dec. 7, the adoption of a five-point program involving (1) a tariff truce until June 30, 1934; (2) a return of tariffs to the level of January, 1928 (i. e., before the Hawley-Smoot tariff went into effect); (3) abolition of all sanitary regulations acting as trade barriers, except those absolutely essential to public health; (4) a declaration that import and export quotas are contrary to the principle of equality of economic treatment among nations and inconsistent with the spirit of the "most-favored-nation" clause; and (5) an invitation to all other nations to accept the same policy.'

The Haitian delegation, while en route to the conference, made a request for withdrawal of the American financial administration from their country. Referred by Secretary Hull to President Roosevelt, the latter is understood to have replied that the United States has inescapable treaty obligations which make it impossible to grant the request. The point was again raised in a statement by Antoine Pierre Paul, a member of the Haitian delegation, after reaching Montevideo, in which he declared his intention to ask the conference to pass a resolution calling upon the United States to

declare its intention to "terminate all extraterritorial occupation, both financial and military." (United States Marines are scheduled to be withdrawn from Haiti by October, 1934, but financial control of Haitian customs will be continued, under loan agreements, until 1945.)

Further difficulty of a similar nature arose from the announced intention of the Cuban delegation to seek the abolition of the Platt Amendment. This was particularly serious from the point of view of the success of the conference, inasmuch as by custom Cuba, as the last previous host to the conference, was delegated to respond to the welcome of the Uruguayan Foreign Minister. Reports that the remarks of Angel Giraudy, Cuban delegate, would be devoted to an attack on the United States were followed by action, not by the United States, but by a group of Latin-American delegations, which led to the Cubans being informed that such an attack was not permissible, as a matter of good taste if on no other grounds, and that unless the speech as submitted to the secretariat was revised, some other nation would be selected to respond to the greetings of Uruguay. On Dec. 4, the address was delivered without the offensive material.

The next difficulty arose from the Mexican proposals, advanced by Dr. José M. Puig Casauranc, the Mexican Foreign Minister, who, on Dec. 4, asked the steering committee of the conference to enlarge the agenda by including fifteen items having to do with political asylum, extradition, child welfare and various cultural matters, but including also proposals for a moratorium on debts for six to ten years, and for a Pan-American bi-metallic monetary system. His proposals were referred to a subcommittee, which on Dec. 7 recommended

that the economic proposals be referred for study to the Inter-American High Commission at Washington, a recommendation which was adopted. An inter-American banking system was proposed in a resolution sponsored by the Peruvian delegation and introduced on Dec. 5 by Dr. Felipe Barreda Laos of Peru. It proposed an international bank located at Buenos Aires, with a currency reserve backed by gold, silver and commercial paper combined. The Peruvian proposal was referred to a subcommittee, as was the Uruguayan proposal.

A new note in Pan-American gatherings was the suggestion that Spain and Portugal be allowed the privilege of assigning observers to the conference, followed by a similar request on the part of the League of Nations. The steering committee on Dec. 4 voted to admit observers from Spain and Portugal, the former on the nomination of Argentina and the latter on that of Brazil. When this was followed by the League suggestion, Secretary Hull moved on Dec. 6 to preserve the regional and Pan-American aspect of the conference. He opposed the League request and moved the appointment of a permanent committee on policy to which the steering committee's decision on Spain and Portugal should also be referred for reconsideration. The basis for the inclusion of Spain and Portugal is the fact that they are the mother-countries of all the American States except the United States, Canada and Haiti, and that, linguistically and culturally, their ties with those States are extremely close.

The proposal for inclusion of a League observer arose out of a sixty-six-page memorandum of the League's activities submitted to the Secretary General at his request. Consideration of League participation was doubtless also a natural consequence of the

League's efforts to end the Chaco warfare and its activities in settling the Leticia dispute.

Of equal importance with economic problems in President Terra's keynote address, and doubtless, also, in the minds of many of the delegates, is the restoration of peace in the Chaco and the strengthening of the machinery for the prevention of similar tragedies in the future. Discussion of the Chaco imbroglio seemed likely to take up a good deal of the time of the conference at the outset. At a meeting of the subcommittee on the organization of peace on Dec. 7 to consider ways and means to facilitate settlement of the Chaco dispute, both Delegate David Alvístegui of Bolivia and Foreign Minister Justo Pasto Benítez Alvarez of Paraguay supported the efforts now under way to reach a peaceful solution in cooperation with the League of Nations Chaco Commission, which is now in South America.

The general disposition at the opening of the conference seemed to be to let the League Commission complete its peace efforts without interference. This was reported to be the attitude of Secretary Hull, as well as of the Argentine and Brazilian Foreign Ministers, Senhor Afranio de Mello Franco of Brazil pointing out that it would be inopportune to sponsor a conference conciliation effort in view of the failure of the Washington Neutral Commission and the ABCP group to effect a solution. The League memorandum, to which reference has already been made, also stressed the League's mediation efforts and indicated that settlement had been delayed by the efforts of other agencies.

It was reported on Dec. 9, however, that President Terra of Uruguay had begun personal conversations with Bolivian and Paraguayan representa-

tives looking toward immediate peace in the Chaco, and that he had asked that the conference take no action until his plan had been tried out. Two other proposals before the conference's subcommittee on organization of peace are one from Peru proposing conciliation by the conference, and one offered by El Salvador calling for a truce during the conference.

The League Chaco Commission reached Asunción on Nov. 18, its diplomatic members remaining to study the juridical questions involved, while the military members visited the front lines. The arrival of the commission coincided with a lull in military activities, after a month of offensives and counter-offensives, with the usual claims of gains by both sides. On Dec. 8 the commission reached La Paz, where it planned to make the same study of historical and juridical data and visit to the front that it had made from the Paraguayan side.

Peace efforts of the conference, outside the specific problem of the Chaco, dealt with the Argentine anti-war pact and the general relations of the conference to the League. At the session on Dec. 8, Dr. Saavedra Lamas, author of the anti-war pact, received high praise for his efforts, which have resulted in acceptance of the pact by six Latin-American nations. (Secretary of State Stimson, in a note sent on his last day in office, March 3, 1933, declined in the name of the United States an invitation to adhere to this pact.) Unofficial discussion of relations to the League, and of general reorganization of the League as suggested by Italy, apparently inspired the unconfirmed report from Geneva that Secretary Hull had expressed himself in favor of direct cooperation between the Pan American Union and the League.

Conservative Rule in Britain

By J. BARTLET BREBNER

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GREAT BRITAIN'S national government has been rapidly losing its appearance of a coalition and revealing itself as definitely Conservative. So long as the Cabinet was concerned with financial and economic reorganization, its non-party character could be maintained, but when unemployment, housing, India and disarmament became the issues, party lines became too obvious to be disguised.

The electorate, refusing to be fooled, has exhibited in the eight or nine by-elections during the last two months, as well as in the local government elections, an unmistakable distaste for the government's policies. Stanley Baldwin, moderate leader of the Conservatives, has remained loyal to his Liberal and Labor colleagues in the Cabinet, but actually they have themselves become moderate Conservatives. The Tory backbenchers, however, have so steadily increased in effectiveness that Sir Herbert Samuel has led his thirty-three Liberals across the floor to join the Opposition. MacDonald, Baldwin and Simon indirectly suggested the formation of a new National party early in November, but the proposal fell flat. It was felt that the underlying party alignment was now Conservative versus Labor, with the Liberals and the moderates of the opposed parties once more in an uneasy middle position. There was no question of turning out the government, which still had an overwhelming majority, but if the

Conservative party could be split on some basic issue there might be a chance for a majority formed by the moderates.

International affairs have been the chief occupation of Parliament and the nation. The government devoted the first day of the session to a full-dress debate on its disarmament policy, but no clear outlines emerged because of the negotiations going on with Germany. The currency conflict with the United States was the subject of many questions, but the government refused to admit that it was doing anything more than reducing fluctuations in the gold level of the pound. The one clear note was the announcement by Walter Runciman, President of the Board of Trade, on Nov. 29, that because of dishonest Japanese trade practices and the perilous competition of Japanese goods at home and abroad the government would take immediate steps to protect British trade, if necessary by denouncing the Anglo-Japanese commercial treaty.

The new Unemployment Insurance Bill, introduced on Nov. 8, proposed to bring an additional 4,000,000 workers under the insurance scheme, to lengthen the benefit period from six months to a year and to earn an annual surplus of £5,500,000 (on the basis of 2,500,000 unemployed) to be applied to reduction of the fund's £115,000,000 debt. This was to be accomplished by an increase in the rate of weekly contributions from the

worker and a decrease in the rate of benefit. In addition, a new board was proposed to administer relief and train the able-bodied unemployed who were not entitled to insurance benefits, thereby bringing the general control of all unemployment relief at least under central direction. During October unemployment fell by 37,974 to a total of 2,298,753; the fund had accumulated a surplus of £5,250,000 to meet the expected extra burden during the Winter and to reduce its debt. In spite of seasonal influences, unemployment declined again by 18,736 during November.

The improvement in British foreign trade has continued, though at a slower rate. In October exports totaled £34,131,000 (£30,440,000 in 1932) and imports £61,771,000 (£60,828,000). Domestic trade was barely above October, 1932. There was, however, a perceptible improvement in coal mining, where after over ten years of effort compulsory integration of mining companies has at last begun. Early in December the Coal Mines Reorganization Commission started to force the federation of the West Yorkshire fields and planned similar action in other areas. Some mines were to be closed with compensation to the owners; marketing organizations were to be merged. The total area to be affected has in the past produced 44 per cent of British coal.

THE ANGLO-IRISH DUEL

November was marked by one of the most dramatic rounds in the long controversy between President de Valera of the Irish Free State and J. H. Thomas, British Secretary for the Dominions. On Nov. 14 Mr. Thomas, in reply to a question in Parliament, commented on three bills now before the Irish Senate whose passage would complete the elimination of even the

formal attributes of the Crown from the Irish Constitution. Such action, in his opinion, bordered closely on rejection of membership in the Commonwealth of British Nations; speaking for the government, he declared that, if the Irish Free State renounced its responsibilities in the Commonwealth, it could not hope to enjoy the benefits of membership. He also warned the other Dominions not to interfere in the Anglo-Irish dispute.

On the same day Mr. de Valera gave the situation a neat twist from which he hoped to derive a tactical advantage by asking from a public platform if Great Britain would regard the declaration of an Irish republic as an excuse for aggressive action. Receiving no reply, he wrote on behalf of his government on Nov. 29 that Ireland's association with Great Britain had never been voluntary and that the Treaty of 1921 had been acceded to for want of anything better. He then asked for "a direct and unequivocal statement" that Great Britain would not treat "as a cause of war or other aggressive action a decision of the the Irish people to sever their connection with the Commonwealth."

Mr. Thomas and the British Government refused to be drawn on an issue which they had not selected, and pointed out that the treaty had been accepted by Irish representatives and ratified by a general election. The British reply disclosed that it was difficult to "believe that the Irish Free State Government contemplate final repudiation of their treaty obligations in the manner suggested, and consequently they [the British Government] do not feel called upon to say what attitude they would adopt in a circumstance which they regard as purely hypothetical." Thus until de Valera is ready to risk going to the country on the straight issue of a

complete break with the United Kingdom the battle remains a draw.

The disputants both evaded one major issue—the counties of Northern Ireland which are determined to remain outside the Free State. They also avoided reference to the potential use of Ireland by a foreign power as a base against Great Britain. The Irish Republican Army insists upon a united Irish republic; Mr. de Valera hopes for it; and his political opponents, the United Ireland party, have had to include it in their platform. It was generally believed that de Valera could win over the Irish to a republic but that if he tried to coerce Ulster he would fail and justify British intervention.

Considerable progress has been made in increasing the economic self-sufficiency of the Irish Free State. Ground has been broken and contracts let for the machinery for three new beet-sugar factories which, added to the one established by Cosgrave, would make the country independent of outside supplies. Other projects, such as the conversion of pasture to tillage, afforestation and the encouragement of the use of peat, were being forwarded. An internal loan of £6,000,000 at the beginning of December was taken up by the public as well as the banks. The rich and middle-class farmers are badly off; nine of them, imprisoned for not paying their taxes, were recently acquitted by the military tribunal appointed to try them for illegal conspiracy. The poor farmers, however, are no worse off than before, while the urban and industrial laboring classes are feeling some benefits from government-assisted enterprises. Trade has been very bad. For the year ending in October the total was £55,500,000 (£78,000,000 the previous year), exports being reduced by

34 per cent, imports 25 per cent and the adverse balance being £15,000,000 without taking into account the export bounties.

The United Ireland party has continued its efforts with no obvious signs of an increase in influence. General O'Duffy held a parade of his Blue Shirts in County Kerry in spite of a governmental ban. The party, in its platform issued on Nov. 11, supported voluntary reunion of Ireland within the Commonwealth, a new trade agreement with Great Britain, and a domestic program which did not differ greatly from de Valera's. The Irish Republican Army has continued to harass de Valera. They can cause or prevent general disorder and de Valera, sympathizing with their demand for a united Irish republic, has not declared them an illegal organization as he has O'Duffy's National Guard.

CANADIAN BANKING

The report of the Royal Commission to investigate Canadian banking before the decennial revision of the Bank Act was made public on Nov. 12. It proved to be a remarkable document in its history and analysis of the Canadian economic and financial conditions as well as in its recommendations. With both Canadian banker members dissenting, the majority of three urged the creation of a central bank "forthwith" and suggested its constitution. It should be non-political, have a paid-up capital of \$5,000,000 from private subscription, enjoy the sole right of note-issue, serve as banker for the Dominion and possibly the Provincial governments, handle the national debt and be responsible for credit policy, control of currency and exchange, and cooperation in international monetary action. The commis-

sion recommended a survey of the problem of short and intermediate rural credit and a number of administrative changes such as abolition of the statutory maximum interest rate and the cashing of bank checks at par.

Though the report paid high tribute to Canadian banks, its recommendations, if they became law, would strip these institutions of three valuable perquisites—the right of issuing their own notes, the revenue from government accounts and the profits from dealing in exchange. The strong implication that the central bank instead of the private bankers should assume the social responsibility of finance was resented. Finally, one phrase bore out earlier predictions that the commission was an instrument to ally Canadian finance with London, and thereby provided ammunition for the old cry of "Canada First."

Opposition from the banks was voiced immediately and some of the Conservative press followed suit. The Liberals were already committed to a central bank, as were the Western Progressives, whose representative on the commission entered a minority recommendation for State instead of private capital subscription. Conservative French Canada was opposed and Nationalist French Canada scented an Imperial plot to enslave the Dominion. Nevertheless, the Prime Minister on Nov. 20 said that legislation for a central bank would be introduced at once.

Mr. Bennett, during the past two months, has done more to try to take the country into his confidence than at any time since his election. He has made a short tour of the West. He has addressed several Conservative associations with a warmth of pride in his party's record which had hitherto been lacking. He has defended Canadian prison policies, which have been under fire since 1932, pointed to the trade

recovery of Canada, promised nationwide public works in the Spring and voiced both his confidence in Canadian economic revival and his determination that there shall not be a boom. Recent Liberal successes in Federal by-elections and in the Provincial elections of Nova Scotia and British Columbia have awakened him to the necessity of defending his policies.

Early in 1933 the premium on American funds in Canada was as high as 20 per cent, but in November the Canadian dollar rose moderately above parity with the American and remained there. While this was gratifying to Canadian pride, it had other implications. It made much easier the payment of the interest and capital of Canadian loans in New York, for although many of the bonds were payable in American, British or Canadian funds, the present premium of British and Canadian funds is much less than had been the premium on American. Canadian exports were handicapped somewhat while Canada was exposed to increased exports from the United States at a time when the adverse balance of trade across the border had been reduced to about \$2,000,000 a month, the lowest figure in about fifty years. This situation was promptly met, as when the pound sterling was below par, by setting the valuation of the American dollar at parity for import purposes. Perhaps most seriously, it tended to keep Canadian internal prices down when every one wanted them to rise.

The trade figures for October were remarkably good. Exports, as compared with 1932, were \$60,214,000 (\$56,626,000)—the highest since 1930; imports were \$41,070,000 (\$37,095,000), the increase being almost entirely in raw materials. Import trade with Great Britain and the Empire countries continued to increase,

although exports fell a little. A contrary condition, however, existed in regard to trade with the United States. This basic change goes back to the Ottawa agreements and beyond; that it is now a governmental policy is evidenced by the recent measures adopted by the Tariff Board and the Department of National Revenue in clearing up uncertainties and removing handicaps in customs regulations on imports from the United Kingdom.

Canadian expectations of large legitimate exports of liquors to the United States were checked by the uncertainties of quota regulation at the beginning of December. Since Canadian whiskies are of the North American type, and large supplies of matured domestic spirits as well as importations from abroad were available, it was felt that Canada must ultimately profit from the inadequacy of supplies in the United States. The ban on exports set up to assist prohibition enforcement in the United States automatically came to an end on Dec. 5. There was some apprehension lest discrepancies in taxation and prices between the two countries might continue to make bootlegging profitable and police measures necessary.

NEWFOUNDLAND'S STATUS

The report of the Royal Commission on Newfoundland, which was published on Nov. 21, recommended abandonment of Dominion status, government by a British Governor on the advice of a commission of three Britons and three Newfoundlanders, and a complete realignment of the debt burden by using British credit to convert old loans to new at 3 per cent. The financial and political mismanagement which has characterized Newfoundland since the war was revealed and

even the unsavory details of the merchants' spoliation of the fishermen were touched upon. The commissioners urged a complete economic overhauling and the development of natural resources for the benefit of Newfoundlanders instead of recklessly selling them to outsiders.

The scheme was not popular in London because of the financial burden on the British taxpayer, estimated on Dec. 7 at £2,500,000 and possibly more, and because the extraordinary constitutional reversion from a Dominion to a status lower than that of a Crown Colony might set a precedent. In New York there was resentment because British holders of Newfoundland securities were better treated than American. The Canadian banks and oil company which have liens on the customs duties were on the whole relieved to have Great Britain set about a financial and economic reorganization.

The Newfoundland Assembly and Council promptly agreed upon a petition to the Crown asking that the administration recommended by the Royal Commission be set up. The enabling bill will be prepared and passed in January.

AUSTRALASIAN AFFAIRS

Australia has successfully continued her financial rehabilitation. An internal loan of £10,000,000 was subscribed in forty-eight hours in mid-November and £16,650,000 of 5½ and 5 per cent obligations were converted in London on Dec. 7 to 3¾ per cent, raising the total conversions to over £88,000,000.

The New Zealand budget was presented on Nov. 9. In spite of a small surplus from the preceding year, the financial picture was confused. There have been serious exchange difficulties in London and Australia, while conversion operations have had to be

postponed because of the general unsatisfactory situation. Better gold prices for New Zealand products held out some promise, but the Prime Minister budgeted for a deficit. Domestic conditions have remained disturbed, in part because of an unsatisfactory scheme for unemployment relief and the persistent conflict between town and country. Despite financial difficulties, additions in the way of naval, military, coast defense and aviation expenditure have been proposed to strengthen New Zealand's war machinery.

SOUTH AFRICAN DROUGHT

During the Autumn of 1933 South Africa suffered from the worst drought in memory. The great rivers ran dry; sheep pastures became deserts. The Orange Free State was visited by sandstorms and the graziers saw dunes pile up where pastures had been before. Rains broke the drought early in November, but so much damage had been done that both Union and provincial governments have had to undertake the task of re-equipping the farmers with stock, draft animals and seed grain.

South Africa has drawn up a new defense scheme, under which she has abandoned her small navy, and is concentrating on aviation, coastal artillery, powerful wireless stations and a national military training system.

INDO-JAPANESE NEGOTIATIONS

Negotiations between India and Japan over their trade relations continued through November into December without a settlement. It was understood that the proposed agreement had as its central feature the acceptance of 1,500,000 bales of Indian raw cotton by Japan in return for Indian admission of 400,000,000 yards of Japanese cloth. The disagreement con-

cerned the Indian effort to admit chiefly the cheaper Japanese grades, the idea being that imports from Great Britain would be more costly and so customs revenue could be preserved. The Japanese objected to this classification, even with a carry-over from one class to another, because it would seriously complicate their export machinery. Meanwhile, a Lancashire delegation had secured a compromise understanding with the Bombay mill owners and Anglo-Japanese conversations were going on in England. The whole situation was complicated by shifts in exchange rates and by growing British and Indian apprehensions of even more extensive Japanese competition.

THE MALTESE CRISIS

A renewed outburst at the end of October over the language question in the schools of Malta brought about the suspension of the Maltese constitution for the second time in four years and again agitated the press and policy-makers of Great Britain, Italy and the Papacy. Before self-government was re-established in 1932, the Government party (Lord Strickland's Constitutionalists) accepted from Great Britain constitutional provisions that, although Italian, which only 10 per cent of the people speak, should be one of the official languages and be used in secondary education and the university, English and Maltese, an ancient Semitic tongue, should be the language of elementary education.

A general election followed in which Lord Strickland, who, although a Roman Catholic, had been engaged in a bitter dispute with the Papacy, was defeated and a Nationalist Government under Sir Ugo Mifsud came into power. An unsuccessful Nationalist mission to London for repeal of the constitutional educational provisions

followed. Then, abandoning the religious issue temporarily, the new government followed the lead of Dr. Mizzi, Minister of Public Instruction, in embarking on an open, expensive policy of evading the language regulations in favor of vigorous Italianization not only of education, but of public life in general.

These evasions and the budget deficit to which they contributed led the Governor, Sir David Campbell, to present the Ministry with an ultimatum on Oct. 31, demanding revocation of their unconstitutional ordinances. He had previously weakened his own position by prohibiting aliens from teaching in Malta, except by his

license, and by banning public meetings. When the Ministry refused to back down, it was dismissed; Parliament was dissolved, and Sir David Campbell assumed control. His actions were approved by the British Government. At once the press in Italy burst out with charges of a British attack on Italian culture.

The Governor once more stepped in by establishing control over the press and forbidding the circulation of false information. By the middle of November all the old hostilities of a hot-blooded polity had been awakened and the slow, delicate liquidation of them between 1930 and 1932 seemed to have been in vain.

French Cabinet Perplexities

By GILBERT CHINARD

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CABINET crises continue to characterize the political history of France, reflecting both the instability of the party system and the economic distress of the country. On Nov. 24, after a career of exactly a month, the Sarraut Ministry resigned, plunging the nation into despair once more because of the apparent inability of any government to survive the vagaries of the Chamber of Deputies.

The Sarraut Cabinet, formed on Oct. 26 after the fall of the Daladier Ministry, came before the Chamber on Nov. 3 when Premier Albert Sarraut read his statement of policy, emphasizing particularly the nation's financial problems. The need for a balanced budget was set forth, although no definite measures for realizing that aim were revealed. The Chamber, by a vote of 306 to 32, ap-

proved the Ministry's statement, although it was noted that, while the Radical Socialists and the Centre supported the Cabinet, half the Chamber, including Léon Blum's Socialists and the extreme Right, abstained from voting. The government thus failed to obtain a solid majority and its early fall was therefore predicted.

While the Budget Minister was devising a fiscal program a new Parliamentary situation developed as a result of a split in the Socialist party. At a meeting of its national congress held on Nov. 4 and 5, M. Renaudel and six of his fellow Deputies were expelled from the party. Continuing this purging process, the congress then expelled five other Deputies who were accused of flouting party discipline. Altogether thirty dissidents either resigned or were expelled, thus reducing

to 100 the orthodox Socialist group in the Chamber. On the other hand, a meeting of the Radical Socialists in the Chamber revealed the unwillingness of this group to coalesce with the so-called parties of the Right. M. Sarraut, warned that any vote he might receive from the Right would cost him a vote from the Left and vice versa, found his position perilous indeed.

On its foreign policy, however, the government was upheld on Nov. 14 by a vote of 545 to 11. Appealing to the German Government directly, M. Sarraut declared that France was prepared to discuss their mutual problems, provided that the conversations were held "in the full international limelight" and with respect to special friendships and that France should be informed what problems were to be discussed. M. Paul-Boncour, Minister of Foreign Affairs, the same afternoon declared that France desired to keep the disarmament conference open for Germany. He maintained that the only guarantee against rearmament by Germany would be a general limitation of armaments and the organization of effective control. When, as part of the order of the day, a vote of confidence in the government was sought, the Chamber split 394 to 144, and the fall of the Cabinet was then regarded as imminent.

The government on Nov. 15 proposed, as an emergency measure, administrative economies amounting to over 3,000,000,000 francs, a 15 per cent tax at the source on dividends, a delay for one year in all promotions and increases in civil servants' salaries, abolition of some civil posts, and a 4 per cent reduction in government pensions. The government estimated that its plan would reduce the deficit to 5,363,000,000 francs; addi-

tional measures would later be introduced to complete the balancing of the budget. But the Finance Committee received the project coldly, amended it considerably, and set forth objections to the proposed reductions in the salaries and pensions of civil servants.

When Georges Bonnet, the Finance Minister, presented the new budget bill he reminded the Chamber that the Treasury situation had been seriously affected by a growing belief in the country that the Chamber was unwilling or unable to make the sacrifices necessary to balance the budget. Contrary to general expectation the government succeeded at first in obtaining a majority for its bill, largely through the efforts of M. Herriot, who had returned to the Chamber in order to lend his support to M. Sarraut, and because of the willingness of M. Flaudin of the Centre to cooperate with the Radical Socialists. Two amendments, one proposed by the Right and the other by the Left, were rejected, and a motion to delete the provision reducing the salaries of civil servants was defeated by 326 to 237.

For the moment it seemed that the government was now in an excellent position to push through its whole program. Soon after, however, M. Gardey, the Budget Minister, and M. Sarraut accepted an amendment proposed by the neo-Socialists that cuts should be made only in salaries above 11,000 francs. Seeing in this compromise a bid for Socialist support, the Chamber immediately reversed its previous action and the government was defeated by 321 votes to 247. The fall of the Cabinet was attributed to M. Sarraut's poor strategy rather than to the Chamber itself, which for the first time in many months had seemed ready to accept and support new economy measures.

As M. Herriot had not yet recovered

from his recent illness and was unwilling to assume the Premiership on the eve of the anniversary of his fall in 1932, he would not assume the responsibility of forming a new Cabinet, but with several other leaders of the Radical Socialists, recommended that Camille Chautemps, Minister of the Interior, be intrusted with this mission. On Nov. 27, M. Chautemps succeeded in organizing a Cabinet which did not differ essentially from its two predecessors. Though called a "Cabinet of Public Safety," it could scarcely be considered a concentration Ministry since, the Socialists and the Republicans of the Right having refused to join, it was composed almost entirely of Radical Socialists. M. Chautemps, who is 48 years old, has served in four Cabinets and was Premier for twenty-four hours in February, 1930. A good public speaker and a lawyer by profession, he has been long in politics, serving in Parliament as a Deputy from Tours.

M. Chautemps apparently decided to adhere to the financial program of his predecessors, and to make a gallant effort to economize or else raise the 6,000,000,000 francs necessary to balance the budget. He was expected to ask for authority to effect the most essential cuts by decrees—a device to save the face of the Chamber—and to win the support of the farmers by altering the wheat legislation passed last July which has aroused much protest in the agricultural districts.

M. Chautemps on Dec. 2, won a vote of confidence by 569 to 11 after urging immediate consideration of economy measures and announcing that, while problems pertaining to disarmament and Franco-German relations might be discussed through regular diplomatic channels, all decisions must be made in unison with other powers.

On Dec. 11 M. Chautemps succeeded in getting the budget through the Chamber. Two of the most important votes were for reimposing certain taxes and for a new tax on gasoline. The proposal to cut civil servants' salaries was carried by 345 to 150, with the Socialists abstaining.

The chief problem at present is more political than financial. Gold withdrawals from the Bank of France decreased the gold reserve to 77,822,000,000 francs on Nov. 30, as against 80,018,000,000 francs on Nov. 16, and 83,341,000,000 francs on Dec. 1, 1932. This steady exodus of gold has not been regarded as endangering the franc, since the gold cover is about 79.95 per cent and the legal minimum is 36 per cent. More than ever the French people seem opposed to any devaluation of the franc; the hardships resulting from the crisis of 1926 are still too fresh in their memories to make them favor anything in the nature of inflation. After watching with anxiety the gold purchases made by the American Government and expressing fear for the stability of the franc, financial circles apparently came to believe that the gold policy of America could not be construed as directed against the franc; no immediate danger was anticipated because of American financial policy.

The French Treasury, which was reported to be seeking a loan of £40,000,000 in Great Britain to meet current expenses, decided not to borrow abroad but to issue an internal loan; this was taken up at once by the banks.

Foreign trade improved markedly during October, the unfavorable balance being only 567,000,000 francs, the lowest for two years. Exports set a record high for 1933. The wholesale price index in Paris was 304, compared with 386 in September, and 523 in

October, 1932. Unemployment showed an increase of 4,691 on Nov. 4 over the figures of the previous week, but the 237,571 unemployed must be compared with 252,764 in 1932 and 331,816 in March, 1933. Unrest, however, became apparent in Northern France, where late in November about 30,000 miners paraded the streets of different cities in orderly demonstrations. (For further details of French conditions, see the article, "The Economic Crisis in France," on page 421.)

BELGIAN BUDGET PROPOSALS

The draft of the regular Belgian budget for 1934 has been distributed to members of the Chamber of Deputies. Receipts were estimated at 10,-

553,000,000 francs; expenses at 10,-384,000,000, compared with 10,384,-000,000 francs in 1933. All exceptional taxes established in 1933 will have to be maintained to reach this result and no provision has been made for the service on the war and post-armistice debts to the United States. The draft of the extraordinary budget provided for 1,100,000,000 francs and included a credit of 759,000,000 francs for national defense, notably for the construction of defensive works along the eastern frontier. At least a portion of this sum will have to be raised through a government loan. At the same time provision was made for 2,200 frontier guards, while 41,700,000 francs was asked for aviation.

German Churchmen Defy the Nazis

By SIDNEY B. FAY

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RARELY in history has force in the long run been able to triumph over the spirit. Such is the teaching of the blood of the Christian martyrs throughout the ages. It is also the lesson of Bismarck's struggle with the Roman Catholic Church in the famous *Kulturkampf* of half a century ago. Having unified Germany by force, he believed that by force he could compel the submission of the Catholic Opposition. But even he, after a dozen years of bitter conflict, was forced to give in and seek a compromise. As it may be doubted whether Chancellor Hitler is a man of greater political wisdom than the Iron Chancellor, great interest attaches to the opposition of moderate German Protestants to the Nazi efforts to dictate the creed

and observances of the unified Evangelical Church.

The beginnings of this Protestant *Kulturkampf* go back to the Spring of 1933, when the twenty-eight Lutheran and Calvinist State churches were united into a single German Evangelical Church. The leader of the moderate Protestants, who wanted to keep politics out of the church, was the much-beloved and respected Dr. von Bodelschwingh. But in the elections of July 23 for the National Synod the Nazis exercised political pressure, with the result that the German Christians, representing radical Nazi partisans, secured about three-quarters of the delegates to the National Synod. When this body met at Wittenberg late in September it elected Dr. Lud-

wig Mueller as Reich Bishop in disregard of the wishes of Dr. von Bodelschwingh's followers.

Dr. Mueller, a chaplain in the marine corps during the war, a champion of the unrestricted submarine campaign and a determined enemy of Socialists and Jews, became a military priest in East Prussia after the war. He was also widely known because of his work in establishing a Hall of Fame for the German Navy at Wilhelmshafen. On his election as Reich Bishop, a selection confirmed by Chancellor Hitler, he appointed, in accordance with the new Protestant Church constitution, the three members of the Spiritual Ministry which aids him in governing the church. All three members were Nazi German Christians. One of his chief aides was the Rev. Joachim Hossenfelder, Bishop of Brandenburg and one of the most militant radicals and opponents of Dr. von Bodelschwingh. With this set-up the Nazi German Christians seemed to have everything in their own hands. But their acts began to outrage the moderate Protestants, who gradually adopted a courageous and determined passive resistance.

Reich Bishop Mueller's path, however, was not an easy one, because his own German Christians, who put him into office, were themselves divided into extremists and moderates. The extremists would do away with the Old Testament and revise the New; they wished to make a Nordic church, and that led to their famous Aryan clause which would exclude from the pulpit and the congregation Christian Jews who have been converted. They would look upon Jesus Christ not as a holy figure but as a historical figure. In the long run they would force all Germans, except Jews, into a German National Church, based not upon Christianity but upon the consecration

of the virtues represented by the Nazi political faith. Perhaps the chief difference between the extremists and the moderates of the German Christians is that the latter would permit the continued existence of the Catholic Church in Germany.

At a jubilant Nazi meeting in the Berlin Sportpalast on Nov. 13, in celebration of the overwhelming vote of endorsement to Hitler the day before, the Rev. Dr. Reinhold Krause, chief of the Berlin German Christian extremists, made a speech which brought to a head all the smoldering opposition of the Protestants who sympathized with Dr. von Bodelschwingh.

Dr. Krause declared: "The crucifix is to be discarded. Everything that sprang from the alien spirit must be removed from the German people's church, be it ever so old and apparently venerable. The Holy Places of Palestine must not be visited, but those of Germany. The Old Testament must be excluded and palpably misrepresenting or superstitious reports of the New Testament must be stricken out. In the German Church men of alien blood have no place, either on or under the pulpit."

Indignation at these extremist statements strengthened the opposition which had already begun to rally in support of the Rev. Martin Niemöller, one of the old-line Protestant ministers, a submarine captain during the war and long a member of the Nazi party, who, however, had dared to voice his disapproval of anti-Semitism in the church on the ground that it was incompatible with the teachings of Christ. He is pastor of an influential church in the fashionable part of Berlin and also the president of the Pastors Emergency Federation, which comprised some 3,000 ministers who endorsed the new polit-

ical régime but were opposed to the attempts of the German Christians to "regiment" the church. Because of his opposition he was suspended from his pastorate by Dr. Hossenfelder on Nov. 11, but, as it was feared that the news of this suspension might have an adverse effect on the national election next day, the suspension order was revoked until after the election.

After Dr. Krause's extremist utterances at the Sportpalast, Dr. Niemaeller refused to obey the suspension order. He went further and demanded of Reich Bishop Mueller that he dismiss Dr. Hossenfelder and the members of the Supreme Church Council who had been present at the Sportpalast meeting and had seemed to endorse Dr. Krause by their presence. The Reich Bishop was embarrassed by the extremist fanaticism of one wing of his German Christian supporters. To prevent a split in the newly formed German Evangelical Church, he repudiated Dr. Krause's remarks as being those of a private individual and not of an official of the church. He also complied with the demand that he dismiss certain officials who had been present at the Sportpalast meeting. Dr. Hossenfelder, however, remained firm and defiant for a few days and was reported to have the backing of General Goering; but he too resigned on Nov. 18 from the Spiritual Ministry.

Dr. Mueller, who was Hitler's man, was seriously weakened in his prestige and authority by this conflict within the church. His consecration as Reich Bishop, which had been scheduled to take place in the Berlin Cathedral on Dec. 3, was postponed. His Spiritual Ministry resigned, and new men whom he appointed refused to serve. His attempt to regiment the church by ordering that on Dec. 3 all pastors

throughout Germany should use a Bible text and hymns which he prescribed was generally disregarded by a large part of the 3,000 insurgent pastors as an unwarranted interference with the liberty of individual ministers. Many of the insurgents demanded the meeting of another general Church Synod on the ground that Nazi tactics prevented the Wittenberg Synod in September from being a truly free and representative ecclesiastical assembly. A new Synod would probably result in the deposition of Bishop Mueller.

Possibly with a view to forestalling this, and in the hope of restoring unity to the German Evangelical Church, Bishop Mueller resigned his protectorate of the Nazi German Christians Society on Dec. 4. Simultaneously, in a pastoral letter to the members of his ecclesiastical cabinet and all officials in the administration of the church, he forbade membership "in all ecclesiastic-political organizations, leagues or parties." But it was doubtful if his eleventh-hour abandonment of the German Christians Society would effectively restore him to the confidence of the old-line Protestants and maintain him in office.

The struggle of the 3,000 insurgent Evangelical pastors against extremist Nazi domination has incidentally given courage and strength to the two other important Christian groups in Germany. The Union of Free Evangelical Churches, embracing Methodists, Baptists and Congregationalists, was assured by the government that there was no thought of infringing on its rights by any attempt to "coordinate" it with the Lutheran-Calvinist Evangelical Church. The Roman Catholics also became more outspoken in demanding the full observance of the rights guaranteed to them under the

recent Concordat. Cardinal Faulhaber of Munich, in an appeal from the pulpit on Dec. 3 urged German Protestants to make common cause with the Catholics in defending Christianity against the racial and pagan teachings of the Nazis. He issued a warning against the efforts being made to repudiate the Old Testament and even Christ for the sake of racial ideology. "In such a situation," he said, "a Bishop cannot keep silence. Not blood but faith is the foundation of religion."

This religious movement to preserve the church from interference by the State marks the first serious check which Hitler has received and defeats the hope which he is said to have entertained of coordinating the Protestant and Catholic Churches into a single organization. The Chancellor sought to dissociate himself from the conflict by ordering on Dec. 1 that the controversy was to be regarded purely as an internal church matter, and that consequently the State authorities were not to interfere with the negotiations which Reich Bishop Mueller had undertaken with the various church groups in order to restore peace and unity.

THE VOTE FOR HITLER

In accordance with Chancellor Hitler's announcement, made in connection with his notice of Germany's intention to withdraw from the League of Nations, the German people were summoned to the polls on Nov. 12 to vote on two questions: (1) Whether they endorsed as their own the policy of the Hitler government, and (2) whether they would vote for the Nazi list of candidates—the only list put before them—for new members of the Reichstag.

Out of an eligible electorate of about 45,000,000, more than 43,000,000 cast ballots. In the plebiscite on

the first question endorsing Hitler's policy the vote was: "Yes," 40,583,430, or 93.5 per cent; "No," 2,952,100, or 4.7 per cent; invalid, 789,999, or 1.8 per cent; total, 43,525,529.

For the Nazi candidates for the Reichstag there was slightly less enthusiasm: in favor, 39,621,437, or 93.5 per cent; invalid votes, 3,348,125, or 7.8 per cent; total, 42,969,562. There was no opportunity to vote for any rival candidates, as all the rival parties had been either crushed or "coordinated" with the Nazis. Ballots were regarded as invalid if they were unmarked, if the method indicating the voter's intention was technically incorrect, or if the ballot was so marked that the clerks were unable to discern the voter's wish.

The vote was a remarkable endorsement of Hitler by an overwhelming majority of the German people. This is true even if one makes allowance for the fact that many people undoubtedly voted in his favor because they did not dare do otherwise.

REICHSTAG FIRE TRIAL

In the course of the long trial to discover the authors of the burning of the Reichstag Building, General Goering was called as a witness on Nov. 4. He denied most emphatically that he had anything to do with it, and then violently denounced German Communists and communism in general in a manner which would have been more in place on the campaign stump than in a court of law. When Dimitrov, the Bulgarian Communist defendant, protested, he was expelled from the court room, giving the impression that a judicial body was being turned into a political meeting. Dr. Goebbels followed Goering in somewhat the same strain, but with less violence of speech.

The court was startled on Nov. 13 by

the chief defendant's sudden change of attitude. For seven weeks Van der Lubbe had sat completely doubled up and in an apparent stupor. Only an occasional idiotic grin revealed that he was at all conscious of what was going on around him. The efforts of the judge to draw answers from him had been almost fruitless. But now he suddenly sat up; the greenish pallor of his face vanished; his body lost its apathetic immobility, and he was nervously eager to talk. As in the preliminary investigation he asserted that he alone had set the fire; and he explained again in detail how he had done it. But no further light was shed upon his alleged accomplices.

COORDINATED LEISURE

In the process of gathering the workers of the dissolved labor unions into new Nazi organizations a new German labor organization known as NDA, the initials being taken from the name, *Nach der Arbeit* ("After Work"), was formed on Nov. 27. It aims to guide recreation in the leisure hours after the day's work and at the same time indoctrinate workers more completely with Nazi ideals. Dr. Ley, the head of the German Labor Front, who is organizing the NDA, declared that "the belief of the former rulers, that a full stomach alone meant happiness, is pure madness." Provision must be made for the healthful and enjoyable occupation of the leisure hours. The NDA is obviously an adaptation of the Italian organization, *Dopo Lavoro*.

AUSTRIA'S INSTABILITY

Chancellor Dollfuss has continued energetically his efforts to preserve the independence of Austria and his own dictatorial power from the attacks of Nazis sympathizing with Germany and of the Socialists who

are opposed to his Fascist methods. But his difficulties have increased rather than diminished, owing to the growing opposition between two of the parties on which he rests for support—the Fascist Heimwehr under the leadership of Prince von Starheimberg and the new National Corporative Front, made up largely of the Peasant party under Franz Winkler, former Vice Chancellor.

Because of this conflict on four fronts the doughty Chancellor looked forward with some anxiety to the fifteenth anniversary on Nov. 12 of the founding of the Austrian Republic. As this was also the day of the German elections and plebiscite for the endorsement of the Hitler régime he feared demonstrations by the Austrian Nazis and the various other factions in Austria. To prevent disorders he proclaimed martial law, thus reviving the death penalty which was abolished at the establishment of the republic. His measures were entirely successful, and the anniversary passed without any more serious consequences than the arrest of some 225 Socialists in Vienna.

SWITZERLAND'S PROBLEMS

Following Germany's withdrawal from the League of Nations, the Swiss Federal Council began to consider the state of military preparedness of Switzerland. This action was also stimulated by reports that the Germans had a plan for the invasion of France through Switzerland, reports which were emphatically denied by General Blomberg, the German Minister of Defense. Nevertheless, the Swiss Government on Nov. 16 approved a large increase in the military budget for the purchase of eighty new airplanes and additional machine guns, rifles and artillery.

In the Swiss cantonal elections of

Geneva, at the beginning of November, the Nationalist Parties lost eight seats, which were won by the Socialists. The leader of the Socialists was Léon Nicole, who was condemned in con-

nection with the Geneva disorders a year ago in which several persons were killed and who had just been released from prison. The Communists were eliminated altogether.

Italy's Plans for the Corporate State

By WILLIAM E. LINGELBACH

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ITALY is apparently about to carry closer to completion the development of its "Corporate State." Mussolini on Nov. 13 announced that the Chamber of Deputies was to be superseded and its duties absorbed by the National Council of Corporations. "The Chamber has never pleased me! * * * It must be replaced by the National Council of Corporations," he declared at the end of the Autumn session of the council in which the question of the final step in the establishment of the Corporate State and the breakdown of the capitalistic system were discussed with much insight and vigor.

The capitalistic system, the Duce declared, is dead and socialism decadent. The economic liberalism of the past, like the political liberalism of our time, is out of date in the modern State, where social control and planning have become inevitable. At the same time, he again pointed out that this is not inconsistent with the recognition of private capital and private initiative within proper limits. Italian production, agricultural and industrial, must be, he declared, planned and "disciplined" on a national scale.

The Council of Corporations, organized in March, 1930, at present consists of 117 representatives of the

thirteen corporations, eleven each of employers and employees of industry, nine each of agriculture, seven each of commerce, nine each of air and sea transport, five each of land and internal water transport, five each of banks, five of the professions and the arts and twenty-five of labor. The membership is augmented by representatives of different Ministries, veterans' organizations, marketing corporations, securities companies and insurance associations. Outside Soviet Russia, it would seem to be the largest and most important national planning organization in the world today. Details as to its reorganization and how it is to function have not been announced, though the broad lines which have been indicated involve the inclusion of representatives of new economic categories or guilds and a working out of a mode of procedure to coordinate economic with political functions.

In the meantime the highly centralized administrative system has been given a new impetus by Cabinet changes. Early in November the resignations of Admiral Sirianni, the Minister of Marine, and of the popular Air Marshal Balbo, the Minister of Aeronautics, were announced, the two posts being absorbed with that of the Ministry of War into that of National De-

fense, which is held by the Duce. Marshal Balbo was made Governor of Lybia. According to advices, the change, as in the case of Dino Grandi, is in accord with the accepted principle of rotation in office and the desirability of affording the widest training for the future leaders of Italy.

Mussolini, in remarks to the press on Nov. 18, frankly stated his conviction that an official press was essential: "The journalist is a soldier of the advance guard. He wields the most powerful and also the most dangerous weapon, the pen. * * * The musketeering journalism of the past is gone. * * * Fascism wants a journalism of its own. The journalist must serve not himself but an idea. There must be homogeneity in a newspaper from the first page * * * [its] duty is to exalt what is good, sane, beautiful and heroic."

The Duce on Nov. 21 prohibited the importation of foreign wheat for domestic use. After eight years the "Battle of the Wheat" has been won, he said. No longer is it necessary to permit millers to use even a small percentage of imported wheat in their flour. The official report on the year's production of wheat gives a total of 22,064,400 bushels, marking the highest production per acre in the history of the country. For the six years before the "Battle of the Wheat" the average production was 13,892,400 bushels as against the average of 17,978,000 for the past eight years.

How thoroughly the groundwork for the improvement of the material equipment of agriculture, industry and commerce has been laid is seen in the highly developed system of credit for financing business enterprise and the effort to direct the flow of national savings into the channels best calculated to promote prosperity. Accord-

ing to the report of the Association of Italian Corporations there are fifteen extra-State (*parastatali*) credit institutions to facilitate the extension of credit to worthy business enterprises. Two of the most important—the Istituto Mobiliare Italiano and the Istituto per la Ricostruzione Industriale—provide long-term credit to worthy business enterprises.

Through these fifteen institutions a credit system has been built up "which provides for the needs of all branches of production" and relieves the deposit banks of the burden of financing business. Incidentally, the same report draws attention to the gradual growth of national wealth, pointing out that during the four years from 1929 to 1932 the number of Italian savings bank accounts rose from over 4,800,000 to over 5,300,000 with a corresponding growth of deposits from 16,500,000 lire at the end of 1929 to over 20,000,000 lire at the beginning of the twelfth year of fascism. The great increase in the number of depositors was hailed by the Duce early in the month as unusual evidence of the confidence of the people in the government. The 5,000,000 depositors with their families represent, he claimed, at least 20,000,000 people—50 per cent of the population. Further evidence of this confidence is seen in the steady appreciation of Italian securities. At the beginning of November, the 5 per cent consols were quoted at 94.25, as against 80.50 in 1929 and 82.40 in 1932, the 3½ per cents showing a similar appreciation at 89.70.

CONSERVATIVES WIN IN SPAIN

In the elections for the Spanish Cortes on Nov. 19, and again in the re-election on Dec. 3, the Conservative parties of the Right gained a victory far beyond their most sanguine expect-

tations. In the reports immediately following the election, the Right, which includes Monarchists, Agrarians, Catholic Action, Basque-Navarists, Galician Federation and others, claimed over 180 seats, while the best the Left could safely count upon was 136. The incomplete results were due chiefly to the fact that re-elections had to be held in cases where no party received 40 per cent of the total vote. Since nineteen parties were officially recognized, this situation arose in about thirty districts and re-elections were accordingly held in sixteen provinces. In preparation for these, and confronted with the prospect of a reactionary Cortes, Republicans and Socialists began hastily to patch up their differences and present a united front in order to recover, if possible, some of the ground they had lost. But, despite their desperate efforts, the strong current toward the Right continued in the second election also. For once the parties of the Right were better led, and reaped to the full the reward of bringing about cooperation among the conservative groups early in the campaign. Although complete official returns are not yet available, it is clear that the Right is sure of a working majority in the new Cortes.

Indications of the coming landslide had appeared in the elections of the Court of Constitutional Guarantees, but no one foresaw the extraordinary energy and enthusiasm with which the people would rally to the support of their candidates. Article 36 of the Constitution provides for a liberal franchise according to which "citizens of both sexes over the age of 23 shall have equal voting rights in accordance with the laws." This brought to the polls about 12,500,000 voters, more than half of them women, who seem to have quickly learned much of the technique of electioneering.

Speaking of the Conservative victory, José Marie Gil Robles, the astute leader of the Catholic party (Accion Popular), said: "The great victory of our candidates exceeds even our expectations." Newspapers of the Conservative group, like *El Debate*, heralded the triumph as a complete repudiation of the sectarian policy of the Azaña government. According to Associated Press reports, the Vatican is particularly pleased with the results because they indicate clearly that the policies of the recent Cortes in regard to the church and religion were not in accord with the sentiment of the Spanish people. On the other hand, *El Socialista*, the organ of the Socialists, sarcastically suggests a more sordid explanation of the Conservative victory, declaring that the Right had "access to economic coercive measures which were inaccessible to us." To shrewd observers the defection from the government ranks several months ago of powerful newspapers like *El Sol* was even then an ominous foreboding of the disaster awaiting the parties of the Left. Republican and Socialist organs expressed bitter disappointment, venting their spleen upon the leaders responsible for the feuds and personal self-seeking which divided their ranks, or, like *La Nacion*, denouncing "the shameless alliance of Catholics and Freemasons." Incidentally, too, the Republicans and Socialists are no longer as enthusiastic as they were about the emancipation of women, rather ruefully recalling the warning of Señorita Victoria Kent, one of the three women Deputies of the Constitutional Cortes, that "Spanish women are not yet ready for the ballot."

Under Article 58 of the Constitution, the new Cortes is subject to convene at the call of the President, or automatically without such convocation by

the Executive, on the first weekday (not a holiday) of February. What its policy will be on such burning matters as the land question, education, and the church will be awaited with the keenest interest. Judging by the restrained expressions of the leaders even of the extreme Right, a moderate course is likely. In expressing its confidence that "prudence and patriotism" will prevail, *El Debate* suggested the formation of "a government of the Centre with the collaboration of some of the anti-Marxist elements." Unhappily, the spirit of conciliation and cooperation does not pervade all classes, and rumors of preparations by the Communists and Syndicalists spread rapidly as the results of the election became known. In Madrid a large mob staged a demonstration in front of the home of the veteran radical leader, Alejandro Lerroux, shouting "Down with Lerroux!" "Death to the Radical Republicans!" until the mob was dispersed by the police and the troops. In Barcelona, where strikes of shop, office and street-car employes had thrown nearly 50,000 out of work, the authorities were obliged to act promptly and vigorously, closing Syndicalist headquarters, arresting the leaders and segregating several hundred on a prison ship. Similar conditions in other cities led to the proclamation of a "state of prevention," (something akin to martial law), which the Prime Minister had been unwilling to proclaim during the elections.

The elections disclosed an unsuspected situation in Catalonia, where Colonel Macia and his Esquerra Republicana party were supposedly complete masters of the semi-autonomous government. No one was prepared for the victory of the opposition,

the Lliga Catalana, which is much more conciliatory on the question of State rights and autonomy. In the meantime the administration of justice in Catalonia has been transferred from Madrid to Barcelona, restoring to the Catalans the control of justice taken away early in the eighteenth century. On the other hand, the transfer of the control of the finances and of police power has for some reason been deferred. Catalonia has apparently become more favorable toward the National Government in Madrid. While the separatist tendencies in Catalonia have weakened, the Basques, by a large referendum vote of over 85 per cent of the electorate, endorsed the home rule statute prepared by the Cortes.

PORTUGUESE CORPORATE STATE

The Portuguese Government announced on Oct. 20 that it was preparing to set up a Corporate State and would shortly promulgate measures looking toward general elections for the new institutions early in 1934. Professor Oliveira Salazar, Prime Minister under Dictator General Carmona, has developed machinery for a "corporative State" providing for, besides a President, a Council of State, Cabinet, National Assembly, Corporative Chamber and Courts of Justice. In general, the system lies somewhere between a Fascist State and the British parliamentary system. The assembly would sit for three months only, and would have no control over the Ministry, which is to be responsible to the President, who, elected for seven years, would be assisted by an advisory body, the Council of State. The electors are designated as the "educated heads of families," whatever that may mean.

European Alliances in the Making

By FREDERIC A. OGG

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Two overlapping groups of States in Central and Southeastern Europe have been advancing toward a new economic and international orientation. One group is the already solidly established Little Entente, consisting of Czechoslovakia, Yugoslavia, and Rumania; the other is a combination composed initially of Yugoslavia, Rumania, Greece and Turkey, but with Bulgaria and Albania as possible later additions. At a number of points Austria and Hungary are closely related to the new alignments.

The Little Entente definitely began tightening its lines last February by adopting a series of "statutes" which provided in the future for a common foreign policy. New studies of the interrelations of the three States in trade and transportation culminated in the setting up of a joint economic council for the preparation of plans for closer economic and business relations. Soon after the Sinaia conference in September, 1933, the Italian Government threw into the hopper a project for Danubian economic confederation, based on bilateral agreements for mutual preferential treatment on agricultural and industrial products. This plan, which is reported to have been endorsed by France, has loomed prominently in recent discussions. The governments at Prague, Belgrade and Bucharest, however, have their own ideas on how to proceed, and any solution is likely to be fundamentally of their own making. Foreign Minister Benes of Czechoslovakia

has said that without doubt the Little Entente will become an economic unit, even if considerable time, possibly years, will be required to carry it to this goal. Meanwhile the Economic Council, which met in Prague late in November, was scheduled to continue discussion of such matters as unification of railways, waterways, telegraph and telephone services, and postal areas, correlation of legal practice relating to commercial matters and uniformity of customs duties.

Aided by recent Greco-Turkish, Turko-Rumanian, and other treaties of friendship, the second group of States has similarly been feeling its way in the direction of an ordered economy. At the head of the agenda of the Fourth Balkan Conference, held at Saloniki early in November, was the formation of a customs union of the Balkan States. After the meeting it was understood that preliminary conversations had begun preparing the way for a four-power Balkan pact to include Rumania, Yugoslavia, Greece and Turkey. Although Premier Tsaldaris of Greece denied that negotiations had proceeded far, it was reported from Istanbul on Nov. 22 that not only were the four States about ready to sign a pact, but that Bulgaria and Albania would be invited to participate. Unofficial delegates of the former indicated at Saloniki that their country was prepared to adhere. While there was skepticism in some quarters, it seemed likely that Sofia, especially if confronted with an ac-

completed fact, would consider co-operation more likely than isolation to win a sympathetic hearing for Bulgarian claims in the matter of its minority problems and an outlet to the Aegean Sea.

CZECHOSLOVAKIAN AFFAIRS

"While treaties are being made, Czechoslovakia will make treaties. If machine guns are fired, it will be ready to fire machine guns, and if cannon, it will be ready to fire cannon also." So asserted Foreign Minister Benes in the Czechoslovak Parliament on Nov. 8 in reply to the criticism that his international policies place too much faith in the sorely beset League of Nations. The language sounded jingoistic, and by some was construed as a warning to unfriendly neighbors. Viewed in the context of Dr. Benes's words and acts over many years, however, it is found tantamount only to an assertion that the Prague government's rôle in the international arena is to continue to be one of sturdy individuality and defensive strength.

A week before this speech, Dr. Benes had, indeed, in a lengthy address before the foreign committees of the National Assembly, reviewed the entire international situation of Europe as affected by the German Fascist Revolution, and indicated the ways in which the policies of his own country were likely to be influenced. The tone adopted was by no means that of an alarmist. "We do not see in the recent move of Germany," he declared, "anything which can soon cause a catastrophic crisis, but we follow attentively the developments, and will arrange our movements for the future accordingly." Indeed, the speaker was able to find in the new situation certain actual gains, since policies had been brought into the

open and problems, such as that of disarmament, given clearer definition. The Pan-Germanic substratum of Hitlerism was pronounced nothing new, though it was set down as a factor in international politics which, since it has in no wise been extinguished by Germany's experience of the past twenty years, Europe may profitably be apprized afresh, in order that the nations may "take it into account as a simple fact and act accordingly."

As for Czechoslovakia, the foreign policy of her government will continue, Dr. Benes asserted, on the following major lines: (1) Full support of the Little Entente, and of its program of economic union; (2) unswerving maintenance of the peace treaties; (3) support of the Disarmament Conference as "the only authorized forum for the successful solution of the question of disarmament"; (4) maintenance of correct relations with Germany; (5) "intimate and faithful co-operation, friendship, and alliance with the democratic French Republic," as the very basis of Czechoslovak foreign policy; (6) continued development of friendly relations with Poland on the north and Austria on the south; (7) efforts to bring about normal diplomatic and economic relations with Soviet Russia; and (8) renewed attempts to improve relations with Hungary, without, however, much present prospect of success. To this program may be added the purpose to resist any proposals, such as Dr. Benes thought likely to arise, aimed at breaking down the principle of the equality of nations at present upheld by the league.

The national budget for the coming year, submitted to the Chamber of Deputies by Finance Minister Trapl on Nov. 6, showed not only a small surplus but a reduction in expenditure

of over 1,000,000,000 crowns (\$29,600,000 at par), as compared with its predecessor. No fresh burdens were placed on the taxpayer beyond the possibility of a small surtax on incomes to be payable only by persons not accepted for military duty. Special economic powers conferred on the Executive last July were, at the Cabinet's request, extended to June 30, 1934.

POLISH-GERMAN RELATIONS

Fifteen years after the World War Poland finds her relations with Germany the most vital problem of her international position. Perhaps this was true before Adolf Hitler's rise to power; unquestionably it has been true since that event. To be sure, the near panic which swept over Poland when the Brown Shirt leader became Chancellor of the Reich subsided when it became apparent that it was no part of his plan to start a war at once. More recently, indeed, the relations of the two countries have seemed decidedly amicable, and diplomatic correspondence has been studiously correct. Conversations between Herr Hitler, Herr von Neurath and M. Lipski, the Polish Minister to Berlin, culminated in mid-November in statements on both sides which have been heralded as amounting to an unwritten non-aggression pact. Negotiations for a trade agreement to end an eight-year tariff war have been resumed; the government-controlled radio station in Warsaw has been under strict orders to broadcast nothing that would be displeasing across the border; and a Polish-German football match in Berlin has been proposed. Observing the tendency of Hitlerism to alienate European sentiment from Germany and to leave the country isolated, Poles have even been heard to remark that the Nazi leader is the

best friend that their country has.

Beneath the surface, however, there is suspicion and anxiety. More than once Chancellor Hitler has hinted at a revision of national boundaries as a main objective of his régime, and few Poles, recalling the facts of history as well as the existence of 1,400 miles of open frontier between the two countries, doubt that sooner or later expansion at their expense will be threatened. Germany, they say, is now, as always, a country without fixed and accepted boundaries. Geographically as well she is perpetually, in the phrase of Spengler, "a country in the making." Not one of her neighbors of the last 300 years but knows what that means. Today she covets the Polish Corridor; tomorrow she will want Memel and the Saar; the day after, something else. Confronted with a neighbor of such fluidity and acquisitiveness, Poland, it is believed, will always be insecure.

Already the question of the Corridor has precipitated a verbal clash. Learning that in one of his speeches Chancellor Hitler had strongly intimated that the disputed territory must be recovered for Germany, M. Miedzinski, a leader and chief spokesman of the Pilsudski party, summed up the Polish position in a forceful remark in the Sejm, "If Hitler wants the Polish Corridor, let him try to take it." In the *Gazeta Polska*, of which he is editor, he asserted with equal vigor, "Our reply to all German claims is our guns." As a writer in the *Manchester Guardian* observed, "if Marshal Pilsudski were to ask his countrymen, by plebiscite, to express their opinion of his seven years' rule, he would receive no unanimous reply as regards his home policy; but he would certainly get strong support of his foreign policy toward Germany." That policy is one of uncompromising hostility to

ward every suggestion of boundary revision.

As for the tariff war, which would have been ended in 1929 had the German Reichstag ratified a commercial treaty concluded in that year, neither country has profited by it, but Poland has suffered a good deal less than Germany expected. Having lost one of her best customers for agricultural products, Poland by special effort found others, particularly Great Britain, with whom she is now doing business on even more profitable lines. Moreover, having stopped importing German machinery and chemicals, she has developed production of these commodities by her own industry, and on the whole is now more nearly self-sufficient than before.

RUMANIAN CABINET CRISIS

A long-developing Cabinet crisis in Rumania came to a head in mid-November, resulting in the most sweeping political change that the country has experienced for five years. Except during the brief dictatorial régime headed by Professor Jorga, the National Peasant party has been in power since 1928. With its aid the exiled Prince Carol was able to regain the throne in June, 1930. Though Dr. Julius Maniu, the party's founder, later found himself unable to work with the youthful monarch and retired both as Premier and as leader of the party, Alexander Vaida-Voevod, who succeeded him, for a good while held the reins with every appearance of success.

Recently, however, the Cabinet's handling of affairs provoked increasing opposition. Internal discord developed within the party, while financial policies undertaken or supported by Vaida-Voevod and his colleagues forced the King into closer relations with the rival National Liberty party

and undermined the Premier's position generally. Obligations arising from an agreement with the financial experts of the League of Nations had not been fulfilled; a transfer moratorium which was put into effect without consulting the country's creditors stirred protest; the rank and file of the governing party, largely peasants in distress, were clamoring for inflation, against the desires of the banking and industrial interests. A more purely political factor in the Premier's downfall is said to have been French resentment toward his tolerance of Fascist elements which were undisguisedly sympathetic with Mussolini and Hitler.

The upshot was that, without waiting for defeat in Parliament, Premier Vaida-Voevod, on Nov. 12, handed in the government's resignation, which was promptly accepted. Turning to the National Liberals, the party of the famous Bratianu family, the King commissioned Jon Duca, its leader, to form a Cabinet. Three days later the list was announced, its most notable feature being the continuance of Nicholas Titulescu as Foreign Minister.

To a limited extent, the change of government may be interpreted as a shift toward the Right, though in general, there is no broad distinction between the two parties so far as fundamental political principles are concerned. One of the first decisions of the new Cabinet was to deal severely with Fascist and other reactionary tendencies. Continuance of M. Titulescu, a statesman devoted heart and soul to the cause of France and the Little Entente, in the portfolio of foreign affairs was taken to mean that there would be no important changes of policy in respect to the country's dealings abroad.

Assuming entire responsibility for

what had happened, M. Vaida-Voevod, at a meeting of National Peasant leaders on Nov. 15, conceded that his inability to find a basis for agreement with the King had brought disaster upon the party and forthwith resigned his leadership.

HUNGARIAN FOREIGN POLICY

The many peculiarities in the international position of Hungary never fail to lend interest to what her statesmen have to say on matters of foreign policy. Two statements of some length, one by Foreign Minister de Kanya in the Upper House on Nov. 10, and the other by Premier Goemboes when interviewed by newspaper men in Vienna on the occasion of a visit to Chancellor Dollfuss, contained, as reported, nothing novel or startling, but taken together constituted a good review of the whole subject. Perhaps M. de Kanya's most significant points were that, although political differences between Hungary and the Little Entente are serious, the former is willing to try to alleviate the situation by cooperation on economic lines. Nevertheless, no Hungarian Government, he said, would ever agree to economic *rapprochement* if the price were a promise to refrain from all agitation of Hungarian political aims. Premier Goemboes asserted that his country has no intention of following Germany out of the League and the Disarmament Conference, that Hungary's paramount interest is the peaceful revision of the peace treaties, and that economic cooperation among the Danubian countries can best be attained, not through a multilateral treaty as often proposed, but through a system of bilateral treaties to be extended as developing interests dictate.

A Legitimist dinner in Budapest on Nov. 22, attended by 2,000 persons in

honor of Archduke Otto's twenty-first birthday, furnished occasion for demonstrations in the course of which large numbers of those present, including many clergy, were subjected to insults. Leaflets against the Prince as "a scion of a family which oppressed Hungary for 400 years" were distributed; anti-Habsburg songs were sung; an effigy of the Prince was dragged through the streets and hanged from a lamp-post. The government itself confiscated all invitations and circulars issued in connection with the dinner because they referred to the Archduke as "His Majesty, King Otto II." Count George Apponyi protested strongly in Parliament, and the Legitimist group resolved to force the government to make fresh declaration of its attitude toward the dethronement law, a measure which, from the Legitimist viewpoint, was passed under foreign pressure and has no more justification than other "dictated" laws resulting from the Trianon treaty.

MR. INSULL IN GREECE

Official relations between the United States and Greece have recently been disturbed by the case of Samuel Insull, the utilities magnate. On Oct. 31 the second application of the Washington government for the extradition of Mr. Insull was, like the one of December, 1932, rejected by the Greek Supreme Court, after a ten-day hearing. The decision was not unanimous. Against the opinion of two of the five judges (it is understood), the president and the remaining two held that deliberate intention of Insull company officials to evade the bankruptcy laws of the United States had not been proved. All affidavits submitted in support of the American case were thrown out.

Apparently the 74-year-old ex-financier talked less exultantly than after his victory of last December, but was nevertheless quoted as declaring that he was now ready to "go to work again." Popular with the Greeks, he was reported to be considering taking a Greek name, becoming a Greek citizen and even standing as a candidate for Parliament. The State Department canceled his passport several months ago; and since he could not go to any other country with which the United States has an extradition treaty without subjecting himself to arrest, it was believed that he would make no attempt to leave the land that had given him refuge.

Surprised and disappointed at the results of their latest efforts, American officials refused to accept the verdict as closing the matter. Extradition, however, was abandoned and on Nov. 4 Lincoln MacVeagh, American Minister at Athens, delivered by instruction to the Greek Government a note expressing "astonishment" at the court's action, charging that the judges had attempted to try the case instead of confining themselves to determining the merits of the request for extradition, denouncing the extradition treaty as "entirely useless," and giving notice that it would be terminated as soon as the necessary formalities could be complied with. The treaty had been in effect only since Nov. 1, 1932; indeed, it had not yet been proclaimed when the fugitive utilities operator sought asylum in Athens. Although its duration was five years, it was terminable by action of either signatory after one year. The instrument was generally similar to others which our government has concluded with as many as eighty-five different countries and is the first to be terminated through denunciation, because of American dissatisfac-

tion, in nearly twenty-five years.

Extradition having become impossible, American effort was turned to inducing the Greek authorities to deport the accused as an undesirable alien. This would be an administrative, rather than a judicial, act, performed in accordance with Greek usage by the Minister of the Interior with approval of the Foreign Minister and the Minister of War. The Greek authorities, however, not only sent a note to Washington insisting that the Athens judges had acted within their rights, but declared through Premier Tsaldaris that, however willing they might be to comply with the request for deportation, there was no proper ground on which they could act. Three factors, indeed, seemed to enter into this further refusal: (1) The two judicial verdicts, which, it was argued, set up a strong presumption against action; (2) the misinterpretation which, it was alleged, would arise from the fact that Mr. Insull is not of the political faith of the Washington administration, and (3) the idea that to surrender the fugitive after all that has happened would stultify Greece in the eyes of people everywhere.

Early in December, some reason appeared for thinking that, notwithstanding these considerations, the continued American demand for deportation might eventually bear fruit. It became known that under his existing permit Mr. Insull would be entitled to remain on Greek soil only until the close of 1933. While the permit might, of course, be renewed, Premier Tsaldaris was quoted as saying that Mr. Insull's presence in Greece was detrimental to the country's friendly relations with a nation credited with fair treatment of 300,000 Greek residents, and that he would "endeavor to find a way to deliver over the accused to American justice."

Denmark's International Troubles

By SIDNEY HERTZBERG

THE extent to which Denmark's well-being depends upon the political and economic requirements of her neighbors has been sufficiently illustrated during the past few months by events in Great Britain and Germany. It is, in fact, no small tribute to Denmark that, despite its smallness and its dependence on foreign markets, it has been able to maintain a degree of independence and originality in domestic affairs that could give it a legitimate basis for the exaggerated nationalism which it has consistently abjured.

Danish farmers now stand to lose about 50,000,000 kroner (\$13,400,000 at par) annually because Great Britain has succeeded in raising the level of its home production of bacon. Under the terms of the Anglo-Danish trade agreement reached last April, Denmark was assured of not less than 62 per cent of the total British imports of bacon. The Danes thus felt that their vital British market was safe. Great Britain, however, soon restricted bacon imports so that during the three months ended in June, 1933, they amounted to only 17 per cent of the imports for the corresponding quarter in 1932. Denmark estimated that it was thus selling to Great Britain about 60 per cent of the previous year's sales.

The further loss is the result of a 16 per cent cut in bacon and ham imports authorized by the British Government on Nov. 1. When the British Ministry of Agriculture succeeded in increasing the home output of bacon,

it requested the Danes to accede voluntarily to a 20 per cent reduction. Denmark refused and sent a delegation to London which entered strong but futile objection. The British Government then imposed the cut. It will be effective at least until Feb. 28, 1934.

Until the outcome of this difficulty was definitely known, the Danish Government postponed consideration of the farm relief legislation pending in the Folketing. But whatever is done along these lines, the Danes will have to give even greater attention to their foreign markets. For the nine months ended September, 1933, Denmark's import surplus was 19,395,000 kroner (\$5,197,860), against 1,620,000 kroner (\$434,160) for the corresponding period in 1932.

It is one of the ironies of Denmark's present situation that its Cabinet, which is made up of eight Social-Democrats and three Radicals, should have to ask Nazi Germany to increase its imports of Danish products. After Great Britain, Germany is Denmark's best customer. Danish butter exports to Germany are governed by the German-Finnish trade agreement which lapsed at the end of 1933. Now Denmark is especially desirous of opening the whole question of its trade with Germany in the hope of nullifying, to some extent, the setback at London.

But the unrest along the Danish-German border and the utter incompatibility of the two political systems does not make the present a particularly propitious time for trade negotiations, which would be difficult

enough to carry on in easier circumstances. The Germans will have a small appetite for Danish bacon and eggs so long as the Social-Democratic party continues its attack on the Hitler régime; the German Government may even have taken the trouble to make this much clear to the Danish authorities. But Denmark's Social-Democracy, particularly its press and its leaders outside the government, may be depended upon to oppose vigorously German fascism even though Danish butter might never again be spread on a slice of German bread. An increase of cattle exports to Germany would be especially helpful to South Jutland, where the severity of the economic crisis has put the farmers in a more receptive mood for Nazi propaganda and has provided the government with its most acute problem. Germany can hardly be expected to overlook this state of affairs.

With respect to activities along the frontier, the Nazis seem to have learned another lesson in strategy from Soviet Russia. Just as the Soviet Government is never officially aware of the activities of the Communist International, so German officialdom has consistently resisted any efforts to link it with the pan-Germanism of party enthusiasts in Slesvig. Thus, while Nazi propaganda is carried on as intensively as ever, Foreign Minister Munch of Denmark was able to say on Nov. 19 that "as far as the Danish Government is concerned, Germany has not given the faintest indication of an intention to raise any question regarding the frontier." He was forced to add, however, that "it is a fact that some nervousness has arisen in South Jutland which has spread to the rest of the Danish people. The reason for it is to be found in certain demonstrations, speeches and newspaper articles, prin-

cipally in the frontier zones. One must hope that such a disturbing expression of momentary excitement will gradually die away."

This feeling of uneasiness has resulted in a renewed exploration of the possibilities of closer cooperation among the Scandinavian countries. Early in October, Premier Stauning remarked in the Folketing that South Jutland provided the frontier not merely for Denmark but for all Scandinavia. "Any encroachment would be a matter for the whole of Scandinavia," he said. "No one is thinking of military alliances, but there is no doubt that the feeling of interdependence among the Scandinavian peoples is growing rapidly. It is a feeling of great moral value. It is my earnest wish that it should develop further."

This gesture brought a sympathetic response from Per Albin Hansson, Social-Democratic Premier of Sweden. "We in Sweden," he said, "much desire increased cooperation among the Scandinavian States. Personally, I should be very glad indeed if it were possible to establish more intimate relations, and I believe many will agree with me in this." On the whole, the Swedish press was ready to agree with him.

Premier Hansson and Gustav Moeller, his Minister for Social Affairs, visited Copenhagen on Oct. 26 for the ostensible purpose of attending the celebration of Premier Stauning's sixtieth birthday. It was officially announced, however, that the opportunity had been used to go over the question of Scandinavian cooperation. While no details were given, it may be accepted as certain that there is no immediate prospect of any kind of military alliance. Indeed, considering the present armaments of the Scandinavian countries, and particularly of Denmark, such an alliance would cause

little alarm in the War Ministries of Europe. But there is a wide range of social, economic and intellectual questions on which unity is possible. Nazi Germany presents a challenge to the traditions and ideals which are common to all Scandinavia. It is felt that this challenge can be met more effectively by a united front along as many lines as possible.

No official moves in the direction of increased Scandinavian cooperation will be made until the Norwegian Storting meets in January, when Premier Mowinckel can determine whether he has parliamentary support for his Cabinet. Should the Mowinckel government fall, a Socialist régime would probably take its place. Thus a political community of interest would be added to the existing racial and geographical ties in Scandinavia. Under such conditions, it should be possible to make real progress toward a goal which seems natural and desirable.

In the meantime, Premier Stauning has been resisting a growing demand, to some extent from his own followers, for an increase in Denmark's armament, although disarmament is still the defense policy of Denmark. The Danes, however, know that they could not repel a German invasion; the government therefore is satisfied at present with just enough soldiers to cope with Nazi ruffianism at the frontier.

FINNISH AFFAIRS

Germany notified Finland on Oct. 24 that it would not renew the trade treaty of 1926 and the supplementary agreements of 1930 and 1932, all of which expired at the end of 1933. The negotiations for a new pact are proceeding amid recriminations between the newspapers of the two countries.

Germany has always regarded itself as a sort of big brother to Finland, and it naturally resents the reorientation of Finnish opinion implied in the Anglo-Finnish trade agreement and in the British Week in Finland celebrations.

The controversy of many years standing on the use of Swedish as a second national language in Finland has recently become particularly acute. Student demonstrations against Swedes and fights among schoolboys are not altogether unusual. In 1930 the Swedes in Finland numbered 342,916 in a total population of 3,380,748. Although the size of the Swedish minority has been more or less stationary, its ratio to the total population of Finland has declined steadily. In 1880 the Swedes were 14.3 per cent of the total; in 1930 they were 10.1 per cent.

All civil servants in Finland are required to know both Swedish and Finnish. Along the west coast, where the Swedes predominate, instruction in the schools is conducted in Swedish, but Finnish is a required subject. Similarly, in schools where Finnish is spoken, Swedish must be taught.

Most parties feel that the Swedes have been receiving a disproportionate part of the funds for educational purposes. The Swedes themselves will admit as much, but they point out that until now they have also made greater use of the educational facilities than the Finns. Probably some modification will be made in the civil service requirement, at least in sections where Swedish is not spoken. The most hopeful aspect of the situation is the fact that the Swedish party, and particularly its leader, Baron Ernst von Born, is prepared to agree to almost any solution that will appease the inflamed animosity of the Finnish students.

The Meaning of Russian Recognition

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE new phase of American foreign policy inaugurated by President Roosevelt's announcement of Nov. 17 that diplomatic recognition had been accorded the Soviet Union affects a wide range of world affairs. The other leading nations of the world at once accepted the event as a step forward in the cause of international peace, since it marks the beginning of stabilization in the relations of two great powers without whose cooperation the affairs of the world cannot be brought into equilibrium in any of the important areas of conflict. Recognition by the United States through its effect in strengthening Russia's position will add weight to her foreign policy both with regard to problems of general import, such as disarmament, and to specific causes of controversy, such as the relations of Germany within Europe. Our new policy has direct bearing, also, upon the situation in the Far East, dominated as it is by Japanese-Soviet relations in which our attitude is a factor to be considered by both parties. The implications of recognition for the future course of Soviet trade concern many European nations, and especially Great Britain and Germany, who have already begun to adjust themselves to the situation created by our new relations with the Soviet Union.

These broader aspects of American recognition will undoubtedly grow in importance with the trend of world events during the coming months. At the moment, however, the American

people are more concerned with certain practical questions relating to probable effects on our own welfare and to the conditions accepted by the Soviet Union to obtain recognition. Few impartial people, however favorably disposed toward the abandonment of our non-recognition policy after sixteen years, have wished our government to accord the Soviet Union full standing in its diplomatic circle without safeguards definitely established in advance. The ten days consumed by negotiation in Washington—a period contrasting strongly with Litvinov's prediction of "a half hour" conference—were devoted almost wholly to formulating these safeguards. The results are embodied in a series of letters exchanged on Nov. 16 between President Roosevelt and the Soviet delegate acting in the name of his government. The significance of these documents, which comprise the essentials of the agreement, to the future of our own Soviet relations is alone sufficient to make them worth thorough study; in addition, they contain much that is of importance to an understanding of the present-day attitude and policy of the Soviet Government.

The commitments entered into by the Soviet Union cover all the points of controversy which lent support to our non-recognition policy, together with certain questions arising from the experience of other States with Russia which were added by President Roosevelt's advisers. Of chief concern,

perhaps, to the American people is the Soviet pledge regarding Communist propaganda. Litvinov's letter to the President on this point binds the Soviet Union "to refrain from interference in any manner in the internal affairs of the United States," and "to refrain and to restrain all persons in government service and all organizations of the government or under its direct or indirect control, including any organizations in receipt of any financial assistance from it, from any act overt or covert liable in any way whatsoever to injure the tranquillity, prosperity, order or security of the whole or any part of the United States. * * * and in particular from * * * any agitation or propaganda having as its aim * * * the bringing about by force of a change in the political or social order of the whole or any part of the United States." The Soviet Union also binds itself not to harbor within its territories any organization or group plotting armed attack upon the United States, its territories or possessions. Finally, and this is the really significant part of the statement, the Soviet Union undertakes "not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which has as an aim the overthrow or the preparation for the overthrow of, or bringing about by force of a change in, the political or social order of the whole or any part of the United States."

These pledges indicate the extent to which the practical necessities of Soviet policy have suppressed the original revolutionary ardor of Russian communism. While the Soviet Union has been moved by its desire

for diplomatic recognition by other countries to give them assurances on the question of propaganda, the Washington agreement for the first time goes to the heart of the problem by bringing under the ban the activities of non-governmental organizations as well as those of the government itself. The pledges, if strictly enforced, will oblige the Russian Communist party to abandon its doctrine of world revolution, and the Comintern (Third International) to withdraw its support from its section in the United States on pain of expulsion from its headquarters in Moscow.

This feature of the agreement, when fully examined against the background of Communist doctrine since the revolution of 1917, makes clear how far removed is present-day Soviet policy from that of Lenin and Trotsky. The Communist League of America, an anti-Stalin faction, characterized these pledges as "a complete renunciation and repudiation of the Comintern" and described the entire agreement as a surrender of all that is essential in communism. This militant Communist group views the document signed by Litvinov not only as the death warrant of the international working-class movement but also as a formal announcement by the Soviet Union that its policy hereafter will be dominated by purely nationalistic concerns. Despite the extravagant language of this embittered Trotskyist faction, one may detect in their statements a substantial measure of truth. It is noteworthy that, even under the desperate conditions prevailing in Russia in 1922, the Soviet delegation at Geneva refused to repudiate the Third International so as to be able to join the family of nations; and in 1925 Zinoviev, predecessor of Litvinov as Commissar of Foreign Affairs, again refused terms very similar to

those embodied in the Roosevelt-Litvinov agreement.

It should also be noted that President Roosevelt, in his letter of acknowledgment, dated the same day, gave similar guarantees to the Soviet Union. His words were: "It will be the fixed policy of the Executive of the United States within the limits of the powers conferred by the Constitution and the laws of the United States to adhere reciprocally to the engagements above expressed." There are in the United States many anti-Bolshevist organizations, ranging from patriotic societies engaged primarily in oratory to definitely conspiratory groups with a positive program of intervention in Russia. These we are now bound to suppress to the full extent of the power of the Federal Government in so far as they profess "an aim" to upset the political or social order of Russia. The degree of energy with which we discharge this obligation may have some bearing on our success in holding the Soviet Union to her promise.

Our financial claims against Russia were dealt with in two separate communications from Commissar Litvinov to President Roosevelt. These claims total about \$800,000,000, comprising the original capital sums plus accrued interest, and are of two kinds—the claims of private individuals and business concerns for losses suffered in the revolution, and our government's holdings of the Kerensky debt. A settlement was not included in the written agreement, it being decided after discussion that all financial questions should be taken up through the regular diplomatic channels after recognition. In other words, President Roosevelt abandoned one of the points which were basic to our Soviet policy during the past sixteen years.

The Russians, however, made two

concessions "preparatory to a final settlement of claims and counter-claims." The first waives the Soviet claim for damages on account of American military operations in Siberia after Jan. 1, 1918; the second assigns to the United States any moneys resulting from decisions of American courts in favor of the Soviet Union and undertakes to bring no new causes in our courts for past injuries. Our courts, it should be explained, have entertained suits brought by Russian nationals or the Russian Government for losses caused by actions of the United States or its citizens before the revolution of 1917. One such claim, involving a substantial amount of money, has already been decided in favor of the Russian litigants. Another brought on behalf of the Volunteer Fleet of Czarist Russia is now before the United States Court of Claims, and others are pending. Litvinov's undertaking turns over to the Treasury of the United States all moneys resulting from these suits, including the one already adjudicated; and it may be inferred that these funds will be used to indemnify American nationals in accordance with the final terms of settlement of our claims.

Soviet counter-claims against us arise chiefly from the invasion of Russian territory by our armed forces in Eastern Siberia and in the Murmansk region after the revolution. The Soviet Union now waives all claims for damages on account of the military operations in Eastern Siberia, stating that "such claims shall be regarded as finally settled and disposed of by this agreement." By not mentioning the Murmansk expedition in this statement the Soviet Union has evidently reserved the right to use it to offset our government's claim on account of the Kerensky debt and the claims of our nationals for losses in-

curred in the revolution. At the first glance the United States appears to have won a tactical victory here, but any attempt to appraise it financially would be fruitless, since the Soviet claims arising from either or both of these military operations have never been presented to this country. Moreover, the likelihood of a complete settlement of all these claims and counter-claims is extremely remote. No other country has succeeded in reaching such a settlement with the Soviet Union despite years of endeavor; and it is safe to assume that in our own case the question will not progress beyond the stage of negotiation. This does not imply that the concessions set forth in Litvinov's letters are without meaning. On the contrary, they have already been politically valuable in promoting a favorable reception of the recognition agreement by the American public, for they provide evidence of the President's firmness in defending our rights and of a generous effort by the Soviet Union to concede our position.

The engagements we have discussed cover all the matters which have heretofore determined our recognition policy. But the Washington agreements go further and obtain from the Soviet Union commitments on two other questions that have recently led to attacks on Soviet policy—the right of religious liberty in Russia and the civil rights of foreign residents.

Litvinov's assurances regarding religious freedom were drawn from him by a letter from President Roosevelt, which emphatically stated our demand that American citizens in Russia be given complete liberty of conscience and religious worship including freedom to conduct "any kind of religious services and rites of a ceremonial nature"; to maintain their own churches "which they will be given the right

and opportunity to lease, erect, or maintain in convenient situations"; "to collect from their co-religionists and to receive from abroad voluntary offerings for religious purposes"; "to be entitled without restriction to impart religious instruction to their children, or to have such instruction imparted by persons whom they may employ for such purposes"; and "to have their spiritual needs ministered to by clergymen, priests, rabbis or other ecclesiastical functionaries who are nationals of the United States of America, and that such clergymen, priests, rabbis, or other ecclesiastical functionaries will be protected from all disability or persecution and will not be denied entry into the territory of the Soviet Union because of their ecclesiastical status."

A definite undertaking on each of the points raised in the President's letter was given by Litvinov in his reply, in which, however, he seized the opportunity to rebuke the world for misunderstanding and misrepresenting Bolshevik religious policy. By merely quoting the laws of his country Litvinov was able to assure the President that with respect to all his demands, save one, the statutes of the Soviet Union guarantee precisely these rights, privileges and immunities to the nationals of all countries now resident in Russia. The exception is the right of "ecclesiastical functionaries" to enter the country, a point not covered by any existing Soviet law. This demand was met in a separate paragraph of Litvinov's letter, which contained the following statement: "The Government of the Union of Soviet Socialist Republics, while reserving to itself the right of refusing visits to Americans * * * on personal grounds, does not intend to base such refusals on the fact of such persons having an ecclesiastical status."

The question of the civil rights of foreigners living in Russia has been raised by the dramatic trial of German engineers some years ago on charges of espionage, and the equally dramatic proceedings in the Spring of 1933 when similar charges were heard against the British officials of the Metro-Vickers Company in Moscow. The latter caused a virtual rupture of Anglo-Soviet relations, and its memory is even now a major obstacle to the efforts of Downing Street to re-establish commercial dealings with Russia on a firm footing. Throughout the world, and in this country particularly, these events roused genuine fear for the safety of foreigners in the Soviet Union, and provided enemies of the Soviet régime with an opportunity to inflame public opinion against the "terroristic methods" of the Communist dictatorship. Apart from these general considerations, the fact that the Washington negotiations on recognition were stimulated primarily by our desire to expand our trade with Russia demanded an understanding that would guarantee the personal safety of our business representatives in that country.

The importance of this undertaking has been exaggerated in many accounts of the negotiations. Litvinov's statement was as follows: "The Soviet Government is prepared to include in a consular convention to be negotiated immediately following the establishment of relations between our two countries provisions in which nationals of the United States shall be granted rights with reference to protection which shall not be less favorable than those enjoyed in the Union of Soviet Socialist Republics by the nationals of the nation most favored in this respect." And to give point to the statement, Litvinov cited the existing

treaty between the Soviet Union and Germany which makes two provisions for the protection of the civil rights of German citizens. The first is that the German Consul shall be notified promptly whenever a national of the country he represents is arrested in his district; the second, that "in places of detention of all kinds, requests made by consular representatives to visit nationals of their country under arrest, or to have them visited by their representatives, shall be granted without delay." This is all that is promised by the Soviet Union with regard to the civil rights of our nationals.

The additional safeguards mentioned in our press are not included in Litvinov's statement, but in President Roosevelt's letter of acknowledgment as a warning to the Soviet Union. The President said: "Let me add that American diplomatic and consular officials in the Soviet Union will be zealous in guarding the rights of American nationals, particularly the right to a fair and speedy public trial and the right to be represented by counsel of their choice." But these are not "rights" in the sense that they are legally binding upon the Soviet Union. The Soviet Government has not undertaken to make any change in its judicial procedure out of deference to American ideas, or to treat our nationals, except with regard to notice of arrest and access to the prisoner by consular officers, in any way different from the treatment of Russian citizens. We have, therefore, gained no greater legal security for Americans in Russia than was enjoyed by the Metro-Vickers officials when they were arrested last Spring. In this matter our relations with Russia are dependent, as they have been in the past, upon the eagerness of the Soviet Government for American good-will.

Probably neither President Roosevelt nor Commissar Litvinov felt that the agreement regarding civil rights could allay the misgivings of the American public. Litvinov, at any rate, was given an opportunity, through a question put to him by the President, to make a public statement on the meaning in Soviet law of "economic espionage," a term which has been much used in criminal cases involving foreigners: "The widespread opinion that the dissemination of economic information from the Union of Soviet Socialist Republics is allowed only in so far as this information has been published in newspapers is erroneous. The right to obtain economic information is limited in the Union, as in other countries, only in the case of business and production secrets, and in the case of employment of forbidden methods (bribery, theft, fraud, &c.) to obtain such information. * * * The Union of Soviet Socialist Republics has also no reason to complicate or hinder the critical examination of its economic organization. It naturally follows from this that every one has the right to talk about economic matters or to receive information about such matters in the Union in so far as the information for which he has asked, or which has been imparted to him, is not such as may not, on the basis of special regulations issued by responsible officials, or by the appropriate State enterprises, be made known to outsiders." If this is accepted as an official statement of the Soviet Government it will go far toward dispelling the doubts of many foreigners.

Diplomatic relations on the basis of these agreements and understandings were established without delay by the appointment of Ambassadors by the two countries. President Roosevelt's choice of William C. Bullitt as our first

Ambassador to Russia, announced on Nov. 17, was very pleasing to the Soviet authorities. Mr. Bullitt, ever since his secret mission to Russia in 1919, when he was sent to confer with Lenin, has been an outspoken advocate of recognition. On April 21 he became special assistant to the Secretary of State and is known to have been active in the arrangements for Litvinov's visit and in the subsequent negotiations. The Soviet Union selected as its first Ambassador A. A. Troyanvsky, formerly its envoy to Japan and until now vice chairman of the State Planning Commission, a choice which was approved by our government on Nov. 19.

In accord with the change, our government found it necessary to terminate the status of certain officials of the Czarist and Kerensky régimes remaining in this country: Serge Ughet, who, since April 28, 1922, had been recognized at Washington as Russian financial attaché in charge of the old embassy and custodian of the Russian archives, and J. A. Conroy at Boston, Antoine Volkoff at Chicago and Nikolai Bogoyavlensky at Seattle, who had continued to serve as consuls by virtue of appointments made before the war. The State Department notified them that their official standing in this country had been brought to an end. Thus was broken the last remaining ties between the United States and the Russia of pre-revolutionary days.

The two governments are engaged now in planning their consular systems in respect of locality and personnel. Mr. Bullitt has already gone to Moscow, and the arrival of the first Soviet Ambassador to this country is expected shortly.

One question remains in the minds of the American people regarding the practical meaning of this "new deal"

in our foreign policy. What can be expected from it by way of economic benefits, and, particularly, expanded markets for our surplus products. Obviously, it is the part of business prudence not to guess at the answer to this question, and certainly not to base any detail of our domestic policy upon such a guess, but to wait and see. It would be wise, too, to forget the awe-inspiring estimates of hundreds of millions and even billions of dollars which figured in Litvinov's speeches to the London Economic Conference and in more recent statements of prominent American advocates of recognition. The truth is that our recognition of Russia will not directly expand our export trade at all. The essential situation remains unchanged, for the Soviet Union cannot buy more of our goods unless we either allow her to export to us a corresponding amount, or provide from our own resources, through an extension of credit, the means to pay for them.

Nevertheless, our recognition policy may have a profound indirect influence by facilitating the provision of credit by our government and our banks in favor of Soviet purchasing agencies. It is not to be expected, of course, that the Soviet Government will make heavy purchases in this country as an act of friendship even if we provide liberal credits to that end. Their objective is to make their country, as speedily as possible, independent of foreign supplies. In the meantime they will buy abroad only what is really needed to further their domestic program, and this only within a strict estimate of their ability to pay at the time of purchase or at the end of a credit period.

Soviet commercial representatives in this country followed the announcement of recognition with a statement that their government would consider

it safe as a business proposition to assume short-term indebtedness to the extent of \$100,000,000 for the purchase of American basic commodities and machine equipment. This would be an immense improvement over the past year, when our exports to Russia fell to \$12,000,000. Moreover, many important American concerns have publicly expressed their confidence that the diplomatic settlement has clarified the problem of Soviet credit in respect of their own business affairs. As additional and more concrete evidence of the optimism of the business world, American shipping companies are expanding their Russian fleets in anticipation of increased exports, the Scantic Company having arranged to add seven more ships and the American Export Line twelve to the fleets now operating between New York and Russian ports.

The resumption of friendly relations between two of the world's most powerful nations after many years marked by distrust and bitterness is an event of high dramatic interest. Whether it also proves to be of permanent historical importance will depend upon how much the attitude of friendship assumed by the two governments comes to reflect the good-will of the two peoples. Much remains to be done before this can be brought to pass. Popular opinion in each country is still colored by the misrepresentations and part-truths which have passed for knowledge of the other during the years of controversy. Yet the new relationship has been formed under favorable auspices. In this country the popular response to the President's action has been, on the whole, one of cordial approval, while in Russia the people have greeted the outcome of Commissar Litvinov's negotiations at Washington with enthusiastic acclaim.

The Passing of an Afghan King

By ROBERT L. BAKER

KING MOHAMMED NADIR SHAH of Afghanistan fell before an assassin's bullets on Nov. 8, after occupying the throne for only four years. Crimes of this sort in Afghanistan can almost invariably be traced to a blood feud, and Nadir Shah's murder seems to have been no exception.

The assassin, one Abdul Khaliq, belonged to the household of Ghulam Nabi Khan, one of former King Amanullah's chief supporters, who was executed for conspiracy exactly a year before. At that time Abdul Khaliq and his father were convicted of participating in Ghulam's plot but were pardoned by Nadir. The act of vengeance was made comparatively easy by the King's scorn for a bodyguard, even though rumors had been current that an attempt would be made on his life. Abdul Khaliq was immediately seized and placed on trial. Nadir Shah's 19-year-old son, Mohammed Zahir Shah, at once succeeded to the throne. Both of Nadir's brothers, Premier Hashim Khan, and Shah Wali Khan, Afghan Minister to Paris, hastened to offer full allegiance to their nephew. Zahir Shah was also supported by the Moslem clergy.

The late King was a man of blood, ruthlessly putting down all resistance to his authority. Nevertheless, he brought greater peace to Afghanistan, both at home and abroad, than the country had known for a generation. His neutral policy toward Soviet Russia and British India earned for him the respect of both, so much so, in fact, that the Indian Government lent

him unconditionally and without interest \$1,000,000 in money, 10,000 rifles and 5,000,000 rounds of ammunition to aid him in the pacification of his realm. He also made a good beginning in the peaceful development of Afghanistan, though he was careful to avoid Amanullah's error of reforming the institutions and customs of the country too rapidly for the comfort of primitive Moslem sensibilities. During his brief reign, Nadir Shah considerably improved the main roads and extended communication between different parts of his wild country by telephone and telegraph. His plans included a railway from the Russian frontier across Afghanistan into India and a number of irrigation projects. In the cultural sphere he hoped to establish a national university and to organize a system of popular education along Western lines.

But Nadir's greatest contribution to the future of his country was the new Constitution which was promulgated at the beginning of 1932. That instrument provided for government through a bicameral Legislature, one house of which has elected representatives, and established guarantees for personal freedom and the rights of property. Such a political reform may mean much or little, depending on the will of the ruler. But the Constitution also provided for the abolition of slavery and compulsory elementary education, and these innovations leave no doubt that Nadir Shah's sincere bent was toward the Westernization of his kingdom.

The Government of India was especially grieved to lose so able and reliable a friend beyond the Khyber Pass, and fearing that Nadir's death would be followed by the usual struggle for the throne, closed the pass to outward traffic as a precautionary measure. Young King Zahir, however, weathered the crucial transition period without great difficulty. One pretender, Ghulam Dastgir, who had been in rebellion for nearly a year, surrendered with his companions on Nov. 24 and was pardoned.

More serious threats might have been offered by ex-King Amanullah, or his brother, ex-King Inayatullah, had either been in Afghanistan. Inayatullah was in Persia and in straitened circumstances. He is not supposed, moreover, to entertain any ambition to regain the throne. Quite the contrary is true of former King Amanullah, deposed in 1928, and since then an exile in Europe. He retains a strong following in certain districts of Afghanistan and his appearance in the country would undoubtedly be followed by civil war. During his reign, however, he was constantly at odds with the Indian Government, and Great Britain would undoubtedly frown on any attempt he might make to seize the throne.

The young King has avoided many difficulties by reappointing his father's Cabinet, headed by his uncle, Hashim Khan, as Premier. It was announced in Kabul that Zahir would follow his father's foreign policy and govern the country according to Moslem law. The latter promise is not without significance. Zahir is already under strong obligations to the Ulemas, or Moslem clergy, for their early support. And their influence will undoubtedly decide the King against any reforms affecting Moslem traditions

or customs, at least for a number of years.

UNCERTAINTIES IN EGYPT.

A survey of the political situation in Egypt today reveals profound uncertainty on every side. Crises, both external and internal, loom ahead. Not for years have there been so many unknown and incalculable factors present to confuse the political wiseacres, and the Arab press is devoting itself with relish to speculation about what the future holds in store.

The case of ex-Premier Sidky Pasha illustrates this situation. Until a short time ago Sidky was supposed to be the strong man of Egypt. It was thought that he held the majority Shaab party, which he founded in 1930, in the hollow of his hand. Now it appears that Sidky's strength has been overrated and that, if there is any strong man in Egypt, it is King Fuad. Sidky, failing to receive unconditional support from the King, resigned last September. When a new Cabinet was appointed by Fuad, it included two members of Sidky's party who failed to ask the leader's permission to serve. They were, of course, expelled from the Shaab, with the result that a serious rift appeared. On Nov. 15 Sidky resigned as party leader, giving ill health as the reason. But it was undeniable that his party showed signs of getting out of hand. At a meeting on Nov. 8, however, the party committee indirectly refused to accept his resignation by postponing indefinitely a vote on the matter. Thus he remains leader, but his position has been seriously weakened.

Another matter of far-reaching significance is the dispute over the manner of payment of the Egyptian foreign debt. In January, 1933, the Mixed

Tribunal of Cairo ruled that service on the debt must be paid in gold, in accordance with the letter of the loan contracts. The Egyptian Government consider the appeal on Nov. 16. Being burden in view of the depreciation of its currency and immediately appealed the decision to the higher Mixed Tribunal at Alexandria. That court was to consider the appeal on Nov. 16. Being governed by the Organic Decree of 1904, it can hardly reverse the ruling of the lower court. The present Minister of Finance, Sabri Bey, has declared that Egypt can not and does not intend to pay more than sterling. Most of the bonds are owned by French nationals, and a French court has decided that payment should be made in gold. The British Government has aided Egypt in trying to negotiate some sort of compromise with the French that would avoid default, but without success.

British as well as Egyptian newspapers are wondering whether Egypt's seemingly inevitable defiance of the Mixed Tribunal will not lead logically to a denunciation of the whole capitulatory system. If that should happen, Egypt will at once be embroiled in a grave international crisis.

The internal political situation in Egypt seems ripe for drastic changes. No one expects that the present Cabinet will endure for long, as it is unable to count on organized support in Parliament. Sidky is ill, his Shaab party is torn by dissension and he is in disfavor at the Palace. There is a good chance that the Wafd, or Nationalist, party, led by Gharabli Pasha, which more nearly represents the views of the Egyptian people than any other group, may return to power. The rôle that King Fuad will play can only be the subject of conjecture, but he is far from being a figurehead. His control over policy, though indirect, has

grown rapidly since Sikky became ill last year. The King's influence, in fact, may be the determining factor in future policy.

TRUCE IN PALESTINE.

Palestine is quiet again, but the fundamental causes of the recent troubles remain. Perhaps a truce is the best that can be expected in the circumstances. The Arab Executive called off the general strike on Nov. 4, canceled demonstrations that had been planned and apparently submitted to the Palestine Government. But both Arabs and Jews continue to protest bitterly to the High Commissioner over the question of Jewish immigration. In this recent dispute the Arabs won a considerable victory.

A delegation of Arab Mayors from the leading cities of Palestine interviewed Sir Arthur Wauchope on Nov. 13. Their spokesman, Raghed Bey Nashashibi, complained that the government of the mandate had not dealt equitably with the Arabs. He flatly contradicted the statements made by the Jewish Agency by declaring that there was extensive unemployment, both Arab and Jewish, in Palestine. He also declared that Jewish immigrants coming to the country as capitalists transferred the same £1,000 of required capital from one person to another. These capitalists, he further declared, spent their money unproductively and became a charge on the country since the Jewish Agency was not held responsible for this class of immigrants. Raghed summed up the Arab case by urging the establishment of representative self-government, the improvement of economic conditions and the prevention of immigration.

The High Commissioner replied that grievances could not be removed in a moment, and that the position of the fellaheen, though very bad, was better

than it was before the mandate. As to self-government, he was obliged to wait until the municipal government bill had proved successful before going further in that direction.

The High Commissioner aroused a storm of protest among the Jewish community in Palestine and abroad by announcing on the following day a number of measures that were designed to prevent the illegal entry or settlement of Jews. Fines, imprisonment and deportation were specified for tourists who overstayed their three months' visit. Visas were to be refused to holders of Nansen or other temporary passports and third and fourth class immigrants were to be admitted only through the ports of Haifa and Jaffa. Tourists were to be required to show return tickets to their homes and to deposit a \$300 guarantee that they would leave before their visas expired. The funds of Jews coming to Palestine as capitalists were to be scrutinized more closely. Finally, a special staff was to be appointed to deal with illegal immigration.

Strong representations were at once made by the Jewish Agency and other organized Jewish groups, by a delegation of Jewish Mayors and by individuals, against this tightening of immigration restrictions. All stressed the dearth of labor, and especially Jewish labor, that seriously hampered work on construction projects. The Vice Mayor of Tel-Aviv revealed that building permits in his city alone totaled nearly \$5,000,000, of which sum two-thirds would be spent in wages. There was a keen demand for labor, he said, and it was expected to last for several years. He added that the present restriction on the volume of labor endangered the industrial progress of his community. Other Jewish spokes-

men pointed out that great numbers of Arabs from adjacent countries have been attracted by the unusual prosperity in Palestine. Isaac Benzvi, head of the National Council, asked the High Commissioner to regularize the status of tourists who had already established themselves.

Sir Arthur Wauchope was unmoved by these appeals, but expressed his intention to prevent illicit immigration, whether of Jews, Arabs or others. He declared that he could not allow the hardships to which Jews were exposed in other parts of the world to affect policy in Palestine. Immigration, he added, must be regulated solely in accordance with the absorptive capacity of the country.

The full coordination of the policies of the Palestine and British Governments was revealed at Geneva on Nov. 26, when it became known that the British Government had supported the creation of the League's Refugee Commission only after Palestine had been excluded from the commission's field of activity. This condition was secured at a private session of the League and was not discovered by James G. McDonald, the High Commissioner, until he arrived at Geneva.

It is obvious that more trouble is brewing. Arab nationalism has been greatly stimulated by recent events. New Arab organizations are being formed and the old ones are becoming more energetic. The Arab Executive designated Dec. 9, the anniversary of General Allenby's capture of Jerusalem, for the commemoration of the "Arab martyrs of Palestine." It has announced demonstrations against Jewish immigration in every town in the country for Jan. 17, the first day of the Feast of Bairam, although all demonstrations whatsoever have been banned by the Palestine Government.

The Russo-Japanese War Danger

By TYLER DENNETT

Professor of International Relations, Princeton University

NOT a few well-informed observers are confidently predicting that a second Russo-Japanese War is close at hand; some even believe that it is already scheduled by Japanese military and naval leaders for 1935. The arguments advanced to support this thesis, which other equally competent observers question, are well illustrated in the current budget of international news.

Most certain is the conclusion that the Soviet Union, if pressed too far by Japan in the Far East, will fight. This seems hardly open to doubt. The Soviet policy of broadcasting through the press the alleged Japanese documents relating to the Chinese Eastern Railway (See December *CURRENT HISTORY*, page 380), is open to only one interpretation, namely, that the Soviet Government is preparing, when necessary, to mobilize Russian public opinion in support of military measures in the Far East.

"We do not consider Manchukuo responsible for the aggressive activities in Manchuria," declared Vyachelov Molotov, president of the Russian Council of Commissars, in an address on Nov. 6 before a convocation in celebration of the sixteenth anniversary of the Bolshevik Revolution in Moscow. "We realize Japan's directing force. We are fully prepared for an unexpected attack." He added: "There will be complete destruction of the enemy and complete victory for the Red Army in case of an attack." The audience cheered, Joseph Stalin, seat-

ed on the platform, leading the applause. That there is at present an unusually large concentration—over 100,000—of Soviet military forces along the Siberian border is not only charged in Tokyo, but likewise is common knowledge in Moscow. The Soviet Foreign Office on Nov. 9 made public a protest to Tokyo against the alleged "unprecedented and gross violation of Soviet frontiers." "I insist," the Russian Ambassador stated to the Tokyo Foreign Office, "that such action shall not be repeated in the future." While both foreign offices are profuse in their denials that their countries desire war, it is quite evident that if Japan wants a war with Russia, the wish can be gratified. It is also clear that the Soviet Union hopes to avoid war, and that Japan is not unanimous in the wish to bring it on immediately.

The second relevant factor in the Russo-Japanese situation is that relations between Japan and China appear to be steadily improving. While the war talk was at its height in early November, it was reported from North China that Japan was making a new effort to liquidate the Chinese ill-will of the last two and a half years. Colonel Shebayama, Japanese military attaché in Peiping, announced on Nov. 4 that the last remnant of the Japanese Kwantung army would be withdrawn "within a few days." The negotiations for the completion of a railway traffic agreement were also speeded up. While a large section of

officials in Nanking appears to be still opposed to any settlement with Japan, more influential elements are anxious for a working agreement to provide for the restoration of railway, postal and telegraph facilities between North China and Manchuria. The customs question is also troublesome, and it was reported on Nov. 15 that the Chinese had decided to establish customs houses at the Great Wall as well as to grant free entry to thirty-six classes of goods produced by the Chinese in Manchuria. The Japanese appear to be meeting the Chinese in a conciliatory spirit. Such reports are interpreted as indicating Japan's desire to disentangle herself in North China in order to be better able to prosecute an aggressive policy toward Russia further north.

Japan and Manchukuo now own or control about 5,000 miles of railways in Manchuria. Lieut. Gen. Kuniaki Koiso, Chief of Staff of the Japanese Army in Manchuria, has declared that this mileage will be increased eventually to 15,000. An extensive system of paved highways is also being projected. An Associated Press correspondent in Mukden has reported that these lines are being planned largely for their strategic and military value. Of more immediate significance is the report that the Japanese have abandoned in part their drive on bandits in Manchuria in order to concentrate their troops more thoroughly for defensive purposes.

Another consideration leading to the possible conclusion that war is approaching is the growing discontent among the Mongols and the emergence of a definite independence movement in Inner Mongolia. These Mongols are discontented with a political relation to Nanking which confers no benefit upon them and yet leaves them to bear the burdens of

chronic Chinese misgovernment. They are also disturbed by the Chinese immigration which results in the exclusion of the Mongol nomads from land appropriated by the Chinese farmers. The Mongols are flirting with the Japanese who have shown special consideration to the Mongols in Western Manchuria. Nanking is reported as ready to concede autonomy to the Mongols, except as to foreign relations and border defense, but has not offered assurances as to the preservation to the nomads of land desired by the Chinese immigrants. Mongol leaders in Mongolia do not hesitate to hint that they may turn to Japan if the latter offers better terms.

It was reported as long ago as Oct. 29 that 170 Mongol princes assembled at Pailingmiaio had organized an autonomous government. The possible danger in this movement lies not in the military strength of the Mongols, which is inconsiderable, but in intrigue with Japan which might easily bring the Soviet Union into the situation and thereby face to face with Japan under conditions that would compel both nations to defend their interests.

While the re-establishment of diplomatic relations between the United States and the Soviet Union is interpreted as encouraging to the latter, this is more than offset by the contemplated withdrawal of the American fleet from the Pacific. The announcement on Nov. 3 of this step next Spring coincided almost exactly with the increase of difficulties between Japan and Russia. Japanese authorities seemed to interpret the change of American naval policy as meaning that the United States would not interfere between Japan and Russia.

Foreign Minister Hirota, according to a Tokyo dispatch of Nov. 29, is pre-

pared to initiate preliminary negotiations among the naval powers in preparation for the 1935 conference. In short, Japan, although steadfastly unwilling to sign with Russia the non-aggression pact which has been several times offered, is eager to reach an understanding with Great Britain and more especially with the United States. It so happened that this Japanese overture was immediately followed on Dec. 3 by Secretary Swanson's proposal that the United States proceed at once to start building up the American Navy to treaty strength in anticipation of the naval conference which is only a year and a half off. The Swanson proposal will doubtless be used in Japan to urge further public support for the Japanese naval program.

Still another reason advanced for expecting war between Russia and Japan is that the Japanese military leaders are already meeting more real opposition in Japan than at any time in the last two years. The Yokosuka naval court-martial imposed lenient sentences on the naval participants in the plot of May 15, 1932. Two naval officers got fifteen years, and four were let off with suspended sentences of from one to six years. The civilian who shot Premier Hamaguchi on Nov. 14, 1930, was sentenced to death; the military assassins of Premier Inukai were treated differently. The younger naval officers were jubilant; the Seiyukai party leaders were quoted by a news agency as declaring that they were "struck dumb" by the leniency of the naval court. Baron Reijiro Wakatsuki, former Premier, having ventured to defend the London Naval treaty, had to be rescued from assassins in front of the Ueno railway station, but the significance of the event lies not so much in the attack and

rescue as in the fact that a Seiyukai leader has come out in open criticism of the dominant military party. Only a gesture by General Araki at the Cabinet meeting on Dec. 2, so it is reported, prevented a Cabinet crisis in Japan. In fixing the naval estimates at 487,000,000 yen as compared with 372,000,000 last year, the Cabinet was able to satisfy the navy only after the war office had yielded 10,000,000 yen for transfer to the naval estimates; and Finance Minister Takahashi consented to borrow half as much more. Admiral Osumi had demanded nearly twice as much. Of the total budget estimates of 2,106,000,000 yen, nearly 800,000,000 will have to be raised by loans. (The par value of the yen is 49.85 cents.)

Apparently some criticism of Japanese military expenditures is arising in Japan, and it may be that in time the military will have to achieve some new feat of arms in order to sustain their paramount influence. Those who expect war between Japan and Russia attach much importance to the situation.

On the other hand, it should be pointed out how very speculative are these considerations which are urged to indicate that war is approaching. There are many "ifs." Japan is preparing, and so is Russia, but that either desires war is not so clear. A chance spark might start a blaze, but there is at least no certainty as to the spark.

CORRECTION

There was ascribed to Foreign Minister Koki Hirota of Japan in *CURRENT HISTORY* for November, 1933, on page 254, a very incendiary statement relative to immigration, naval parity and the Japanese ratification of the London naval treaty which was, in fact, a statement by Ryohei Uchida, presi-

dent of the Kokuryukai (Black Dragon) Society. The Uchida declaration was made first in a pamphlet issued on Sept. 10, but it appeared in a news dispatch of Sept. 16, which also included extracts from a written statement by Foreign Minister Hirota. Through a regrettable inadvertence in the use of the clipping, Mr. Hirota was made to appear as having used language of a very undiplomatic character when, in fact, his prepared statement was conciliatory and unobjectionable. It may be added that, notwithstanding the excited character of the utterances of many public men in Japan in recent months, Mr. Hirota has uniformly displayed in his references to the American Government that courtesy which is the finest tradition of the Japanese Foreign Office.

CIVIL WAR IN CHINA

China now has on hand at least half a dozen wars—in Kiangsi, Szechwan, Sinkiang, Eastern Chahar, Kweichow and Fukien. The first two are conflicts between the Communists and the government. The others, apart from the major disturbance which has recently broken out in Fukien, appear to be merely conflicts between the "outs" and the "ins." Foreign Minister Lo Wen-kan returned from Sinkiang with reports of appalling misgovernment and cruel oppression by ambitious militarists. He intimated that unless the Nanking Government is prepared to restore good government the province may be lost to the Republic.

While General Chiang Kai-shek was doggedly pursuing his anti-Communist campaign in Southern Kiangsi and had created a blockade which forced salt up to the equivalent of \$4, gold, a pound, the adjacent province of Fukien on Nov. 20, declared its independence of Nanking and raised another standard of rebellion. It is alleged to have the support of 40,000

troops of the famous Nineteenth Route Army. The movement is independent of Cantonese influence and more definitely directed against Nanking. The Central Political Council, meeting at Nanking on Nov. 21, decided to "take drastic measures," which may be interpreted to mean that Chiang Kai-shek has accepted the challenge. The rebels did not seize the custom house and postoffice, but did adopt a new flag and oust all Nanking officials. While somewhat "leftish" in tone the new government is not definitely Communist.

The Nanking Government, instead of using its meager navy to blockade Foochow and Amoy, ordered it to depart as fast as possible, fearing that it would join the rebellion, but the order was too late. The Southwest Kuomintang (Nationalist) Executive Committee at Canton on Nov. 22 decided not to participate in the struggle and branded the Fukien movement as pro-Japanese. Tokyo immediately declared that it was opposed to the rebel movement in Fukien. Nanking's request for military aid from the Northern Provinces was met by intimations that Nanking was already badly in arrears in the payment of the soldiers. General Chiang Kai-shek decided on Nov. 28 to abandon the Kiangsi campaign and take command in Fukien. After the rebels took over the maritime customs at Foochow and Amoy, Nanking issued a characteristic Chinese ultimatum, threatening "utter annihilation" to the Nineteenth Route Army if it did not return to the government fold by Dec. 6. Reports were very conflicting as to whether the trouble in Fukien would become really serious or eventuate in merely another fiasco. In its initial stages the rebellion was far from promising as no other province had joined the movement.

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Continued from Page VII

"I touch my knife, saying, 'This blade is my lawyer, judge and executioner.'" Into the identity of Antonio de Fierro Blanco, as author of a vivid volume, we need not inquire. Enough that this yarn of Lower California, still undeveloped, has been "Englished" by Walter de Steigeur and is to be read on its merits.

In such an atmosphere of stratagems and spoils, it is the destiny of democrats, when in power, to develop into dictators. Amid bloodshed, *Porfirio Diaz* (Lippincott) rose to influence as a Liberal and an outlaw. When, however, he seized a sanguinary office he established, perhaps he had to establish, what came to be called the Porfirian Empire. In describing the splendors and corruption of the period Carleton Beals raises an interesting question by hinting that here may be a warning to the Mexico of today.

The hero of the revolution against Diaz was *The Crimson Jester: Zapata of Mexico* (McBride) of whose exploits H. H. Dunn writes with first-hand knowledge as an eyewitness. Zapata's jests were what Mr. Chesterton would call jolly. He did not merely shoot his prisoners. That would have been too simple. He hung them from telephone poles or bound them to ant hills by raw hide that stretched the victim as its moisture evaporated.

In painting the *Portrait of a Dictator* (Heinemann) R. B. Cunningham Graham provokes us to ask why, surrounded by stilettos and pistols, some fiends in human form escaped the vengeance of their enemies. Over those gentle Indian tribes, the Guarani of Paraguay, whose "life," under Jesuit evangelism, "passed as a perpetual Sunday School," the rule of the younger Lopez is condemned as infamous in its unrelieved criminality. Petted by his Irish mistress, this selfish glutton, who was fat to a fault, was driven over a starving countryside, scattering orders for floggings, torture and execution, from which his mother, brothers and sisters did not escape.

It is above the panorama of bloodshed and horror that there rises, lonely in the grandeur of goodness, the figure of a man who dared to hope for better things. Clad in a hair-shirt, scourging himself with whips and beating his breast with a stone, we see the Franciscan friar, *Junipero Serra: Pioneer Colonist of California* (Doubleday, Doran), of whom Miss Agnes Repplier writes one of those biographies of hers in which reverence is disciplined by restraint. To a devout immigrant from Majorca, linking up his missions like a rosary, it was obvious that this world of ours is one and indivisible. All communities, however remote, must be brought not only within the realm of international commerce, but

within the historic fold of what he held to be an uplifting faith. Meditating under the peaceful shadow of the churches and cloisters that Serra built at Mount Carmel and San Fernando, well may we wonder why the city of San Francisco, as a second Assisi, should be so unlike the first.

The Memoirs of Lloyd George

WAR MEMOIRS OF DAVID LLOYD GEORGE. Volume I—1914-15. Boston: Little, Brown & Co., 1933. \$4.

BY holding back his war memoirs until all his enemies have written theirs, Lloyd George gains a recognized advantage. At the same time it cannot be denied that his apologia arrives at a time when the world is more than a little weary of the great war argument. Thus, what Lloyd George has to say about the early munitions troubles of the British—and he has a great deal to say—will not seem very interesting at this late day. Yet the story is not without significance. Lloyd George found the War Office people totally unprepared to organize industry for the war they had so long anticipated. He took over the job from Lord Kitchener and made a success of it. That was a notable achievement—the first great victory of the civilians over the soldiers.

There is, of course, more in these memoirs of 1914 and 1915 than the story of that civilian triumph. When the war began Lloyd George was a high-ranking member of the Cabinet; he wore the robes of the Chancellor of the Exchequer. When the war ended he was Prime Minister. He won a national election and returned to Paris to shape the treaties of Versailles, Saint-Germain, Trianon and Neuilly. No statesman in Europe was so long and so intimately concerned with the events of the war and the peace. This volume, and the three succeeding volumes now promised, will, therefore, be carefully read—if not by the war-weary world of today, at least by the inquisitive world of tomorrow.

There are two major points of interest in this first volume. One is the origin of the war and the other the strategy of the years 1914 and 1915.

What can the Chancellor of the Exchequer in the Cabinet in which Asquith was Prime Minister and Sir Edward Grey Foreign Secretary tell us about the origin of the great conflict? Surprisingly little. And that, Lloyd George explains, is because foreign affairs were not openly discussed by the Cabinet; they were the strictly limited domain of Sir Edward Grey and the Prime Minister. Curiosity on the part of other Ministers was discouraged. Thus the Chancellor of the Exchequer was surprised and dismayed, as many others were later, when he learned of the extent to which Great Britain was committed to France, Belgium and Russia through conversations of diplomats, military missions and naval missions.

Lloyd George can confirm the fact that the crisis of July, 1914, found the Cabinet divided on going to the assistance of France. The German invasion of Belgium united the Cabi-

net—all but two members—as it united the country.

The man responsible for British foreign policy during the years before the war is more sharply criticized in this volume than any other British official, civilian or military. Lord Grey of Fal-lodon, whose death was announced while the book was in press, is subjected to merciless criticism in which the bitterness of old political feuds finds an outlet.

On the question of "war guilt," of which the Germans have made so much, Lloyd George impatiently brushes aside the vast compilations of diplomatic documents and flatly declares that no important ruler or statesman wanted a European war; they were pushed into it by pride, by weakness, by fear. With strong rulers and adroit diplomats in command, he believed that there would have been no breakdown. But weak statesmen were pushed on by blustering soldiers; young men demanding action shouted down old men giving counsel. Only Count Berchtold in Vienna, on the evidence of a single line in one diplomatic dispatch, is accused of "willing" the World War as the price of revenge on Serbia. The myth of a suppressed pacifist movement in Britain is disposed of.

On the second point of interest in this volume, the question of strategy, Lloyd George is able to write with the abundance of wisdom accumulated after the event. He is, at the same time, able to show by memoranda he prepared at the time and the advice he gave in the Cabinet and War Council that he was an early and ardent champion of the Eastern front. Today he is able to point out, with a tragic weight of evidence on his side, that if the men and armaments, or only a portion of them, which were wasted in futile attacks on the impregnable German line in the West had been employed in the Balkans or at the Dardanelles, the whole history, of the war would have been different.

Speaking in the House at the close of the year 1915, Lloyd George uttered the words that stand as the keynote of this first volume of his war memoirs: "Too late in moving here, too late in arriving there, too late in coming to this decision, too late in starting with enterprises, too late in preparing. In this war the footsteps of the allied forces have been dogged by the mocking spectre of 'too late,' and unless we quicken our movements damnation will fall on the sacred cause for which so much gallant blood has flowed." "That is my judgment today," he adds in closing his book, "after a careful perusal of all the documents and histories written on the subject from every point of view."

L. V. UPDEGRAFF.

WAR MEMOIRS OF DAVID LLOYD GEORGE. Volume II. 1915-16. Boston: Little, Brown & Co. 1933. \$4.

THIS second volume of Lloyd George's memoirs should have a wider appeal than its predecessor, if only because it is less concerned with the tedious detail of the munitions problem to which so much attention was given in Volume I. Somehow, one feels that the author has now warmed to his task. His nimble mind ranges over all the sectors of Great Britain's war tragedy; the futility of the Somme, the bungling in Mesopotamia so poignantly

reminiscent of the Crimea, the incapacity of command are all grist for his mill. The result is a fascinating account of a national tragedy. Because these are war memoirs much space is necessarily devoted to military campaigns and to what came to be called the "service of supply," but war is also fought in chancelleries, and so Lloyd George must take the measure of British diplomacy which in 1915 and 1916 he found to be "a timid and nervous thing." A chapter on Lord Kitchener presents a brief and brilliant biographical essay on the British hero of whom Lloyd George still asks, "Was he a great man, or was he a great disappointment?" There are other, even shorter, estimates of the men who directed England's destiny, sketches which are triumphs in nice portraiture. That the author is inclined to cynicism should be no news; that he is scornful of other men's inability to see clearly and somewhat cocksure about the soundness of his own position should occasion no surprise. And in the end one comes to know rather intimately the man whom King George in December, 1916, asked to form a government.

E. FRANCIS BROWN.

Ruin or Recovery?

THE MACHINE UNCHAINED: Revolution in the World Economic System from the First Steam Engine to the Crisis of Plenty. By Leo Hausleiter. Translated from the German by Margaret M. Green. New York: D. Appleton-Century Company. 1933. \$3.

ONLY when the nations achieve economic self-sufficiency, according to this vividly written book by a German engineer, can the present revolution in the world economic system be terminated, and this, in turn, is to be brought about by the "Corporate State," under which politics will be entirely separated from industry. Political control is, we are told, the crowning evil as well as the motivating force of business today, as the author tries to show by a sweeping survey of the last century and a half of technical development. Through political control of basic commodities, world power was gained, but the struggle it involved led to unsalable surpluses and diminished exports, and that caused the present crisis.

The crisis, however, resulted from what was really a pre-existing depression which had gathered force from still earlier depressions, and later from a war of big business, which left behind it the vicious politics of revenge, manifested in reparations and war debts. If industrial considerations alone had prevailed, the author holds, the living capital of today would not be required to pay for the capital destroyed in the war. To pay for this dead capital Europe created debts that mounted higher and higher until enormous sums were owing to America. But America had created an artificial situation, and when it could no longer be maintained, the crash came, proving that the world is after all interdependent and that poverty breeds poverty.

Political control by financial capitalism, of which the credit situation is one aspect, is aggravated by cartels and trusts which, by stabilizing prices, exaggerate and prolong the present crisis, whereas, according to Haus-

leiter, the cyclical price fluctuation is the only purge of private industry. Yet, while he opposes international cartels, he does not object to national cartels, for they are implicit in the self-sufficiency he advocates to solve Germany's internal economic problem. His real concern, indeed, is the welfare of Germany, which he sees as the country most seriously menaced by America and Russia, the two chief exponents of big business and militant industrialization. Germany is therefore to be saved through the release of her foreign trade and her gold from political influence, through the establishment of economic self-sufficiency.

Hausleiter's plea that Germany lead the world to the new State-form, the "Corporate State," is thus inspired by his country's present predicament rather than by a clear conception of world economic forces. Otherwise, he would surely realize that it is an anachronism to struggle against big business, now irrevocably a part of the prevailing system, and that the only remedy is to make it responsible to the people instead of leaving it in the hands of uncontrolled and irresponsible captains of industry.

J. LASCELLES RANSON.

Germany's Grievances

GERMANY UNDER THE TREATY. By W. H. Dawson. New York: Longmans, Green & Co., 1933. \$3.

IT is a paradox of European politics today that the Treaty of Versailles is in some quarters regarded as the cornerstone of the peace structure while in others it is viewed as the height of international injustice. French hegemony over the Continent is based on policing that settlement; yet the Nazis came into power in Germany mainly because of the promise their movement gave of the ultimate correction of the injustices wrought by the treaty. The Treaty of Versailles is then a vital concern in Europe today. It has a definite influence upon domestic as well as foreign policies. In one article or another it contains the roots of the next war. Much has, of course, been written on both sides about the Polish Corridor, Upper Silesia, the Saar basin, Eupen and Malmedy, the appropriation by the Allies of Germany's colonial empire and the neglect of the clause promising general disarmament. German writers especially, have attacked the treaty section by section, and, until the Hitler coup of last year, revisionist sentiment was gaining ground in Great Britain, America, Italy and even in France. Mr. Dawson, in *Germany Under the Treaty*, presents the most thoroughgoing brief for Germany's mistreatment at Paris that has yet appeared outside Germany. The author has long been one of the chief chroniclers and interpreters of Germany in Great Britain, and he has apparently devoted a number of years to digesting the vast amount of material dealing with the making of the treaty, with the historical grounds adduced for the decisions that were made by the Big Four and with the execution of the plebiscite provisions. Everywhere he finds the grossest injustice, and believes that Germany is entitled to seize every opportunity to sabotage the treaty and eventually to redress her wrongs—by war if necessary. Mr.

Dawson is not very hopeful of the prospects of peaceful revision. He seems to feel that matters have gone too far for satisfactory compromise. But he discusses such solutions as have been seriously proposed for the peaceful settlement of disputes arising from the Versailles settlement. His historical perspective is impressive, and this fact, combined with his profound understanding of the German viewpoint, gives his new work its significance.

ROBERT L. BAKER.

John Hay's Varied Career

JOHN HAY. *From Poetry to Politics*. By Tyler Dennett. New York: Dodd, Mead & Co., 1933. \$5.

THOUGH torn all his life between a love of ease and a sense of duty, John Hay succeeded in winning laurels as secretary to President Lincoln, as a poet and novelist; he was a successful journalist, wrote a novel that has not yet been forgotten and a classic history, and proved to be a shrewd, capable business man; in addition he served his country in its diplomatic corps and "finished his career, at the age of 66, the most popular Secretary of State since the Civil War, and, by popular vote, one of the greatest statesmen of the Western World and of the modern age." It was an interesting life, somewhat shallow, perhaps, and obviously without much unity, actual or philosophical. In this latter aspect, Professor Dennett maintains, Hay was the child of his age. More than half the biography is concerned with Hay's work at the State Department, and yet, so skillfully is the story told, that the reader is not conscious that the longer, if less important, portions of Hay's life have been passed over briefly, for this is a most satisfactory sort of book. Its quiet competence, readability and thoroughness re-create both John Hay and his period. The thumbnail sketches of his contemporaries and associates approach brilliance. Worshipers at the shrine of Theodore Roosevelt will be dismayed; and uncritical admirers of John Hay may find their man of less heroic proportions than they had supposed, at the same time that they discover in Professor Dennett's pages a more human and understandable American Secretary of State.

E. F. B.

Gertrude Stein's Autobiography

THE AUTOBIOGRAPHY OF ALICE B. TOKLAS. By Gertrude Stein. New York: Harcourt, Brace & Co., 1933. \$3.50.

BEFORE this book appeared on the horizon, most literate persons were vaguely conscious of the fact that an American woman named Gertrude Stein was living in Paris, but few knew more about her than that. Her literary productions had been so eccentric and so nearly impossible of understanding that she was a mystery to all but her small circle of friends and admirers. Now, however—thanks to this remarkable book—the curious may obtain a good idea of her career and tastes, even if they are not offered a key to the meaning of her work of the last twenty years. Despite its title, this volume is Gertrude Stein's auto-

biography. Here we see Picasso, Matisse, Ernest Hemingway, Eric Satie, Juan Gris and dozens of others; we learn how they came to Gertrude Stein and what she said to them. We learn whom she likes and whom she dislikes, and why. We learn some sparse details of her own life as a woman and an artist. And it needs to be said that all this is set forth in extremely readable form. The style is artful, consciously naïve, at times pompous, but it is never boring or obscure, and is often highly amusing. *The Autobiography of Alice B. Toklas* should convince even the most skeptical that Miss Stein is gifted and has something to say. It will no doubt encourage many to seek out her earlier writings. It may even reinvigorate the weary ones who have already tried to make sense of her amazing novels and plays.

RALPH THOMPSON.

The Truth About China

WAYS THAT ARE DARK: The Truth About China. By Ralph Townsend. New York: G. P. Putnam's Sons, 1933. \$3.

THIS book," the author has said, "is intended to supply information. If reading it requires at times a strong stomach, this book at least is an honest attempt to present the facts as they are, however unpleasant." Such a statement should be sufficient warning to those who have a sentimental regard for the Chinese or Chinese civilization not to read this book, under penalty of disillusionment. For Mr. Townsend assembles an array of brutal facts to prove that the heathen Chinese is indeed peculiar. Poverty and squalor, a cruel disregard for human life, dishonesty, laziness—these are only a few of the unpleasant characterizations which are given to the Chinese in the course of an extensive account that ranges from brief glimpses of crowded city streets to statistical examination of the extent of the opium trade. Missionaries, the Japanese, American relations with China, the social background are given attention if not their due by an author who can by no means be called friendly to China. Yet this very unfriendliness makes the book a welcome antidote to much that has been written in recent years and some of its conclusions might be well pondered by those who shape America's Far Eastern policy. Other students of China may take exception to much of this "truth about China"; if so their counterclaims might find acceptance, for Mr. Townsend, by painting his picture with such dark colors, has left himself open to attack.

E. F. B.

Travels in Arabia

THE EMPTY QUARTER. By H. St. J. B. Philby. New York: Henry Holt & Co., 1933. \$4.

PHILBY, one of the most noted living explorers of Arabia, long planned a journey into the Empty Quarter of Southern Arabia. For various reasons, including the whims of his employer, King Ibn Saud, he was prevented from the attempt until the honors went partly to Major Cheesman and largely to Bertram Thomas, who crossed from the Ara-

bian Sea to Qatar in 1931. Mr. Philby feared that Cheesman and Thomas might have left him little opportunity for important new exploration. It is pleasant to record, therefore, that in January-March, 1932, he not only explored and mapped a large relatively unknown section of Eastern and Southern Arabia, but capped his work by one of the greatest recorded feats of camel travel in crossing the Empty Quarter from east to west (Naifa to Sulaiyil), a journey of 375 miles in ten days from water to water. An earlier attempt from Shanna had almost ended in disaster. Mr. Philby had the advantage of being a Moslem and enjoyed the patronage of the greatest monarch Arabia has known in modern times, so that he had the best men and beasts available. Yet, except for his pardonable indulgence in two tins of peaches when on the homestretch, he lived more rigorously than his men so far as food and liquid were concerned. He had the great satisfaction of finding the "ruins" of Wabar and proving them to be a group of unique meteorite craters. His book, written in a highly individualist style, combines a personal, as well as an exemplary geographical, record.

J. BARTLETT BREBNER.

Democracy in Central Europe

THE EXPERIMENT WITH DEMOCRACY IN CENTRAL EUROPE. By Arnold J. Zurcher. New York: Oxford University Press, 1933. \$2.50.

UNDER the artificial stimulation of Wilsonism and, one suspects of far-sighted French policy, there was a burgeoning of constitutions and democratic institutions in Central Europe after 1919. Their survival has been severely handicapped, and one by one the Central and Eastern European countries, beginning with Poland, have relapsed into authoritarian régimes until Czechoslovakia alone can claim to have "carried on." How this situation came about is explained by Professor Zurcher from a broad knowledge of the conditions that affected the development of parliamentarism in each State. His is the only available account of constitutional changes in Central Europe up to 1933. Its value arises from the author's detachment.

R. L. B.

A Romantic Journalist

RICHARD HARDING DAVIS: His Day. By Fairfax Downey. New York: Charles Scribner's Sons, 1933. \$3.

FOR those who enjoy reading polite gossip and genteel biography, this life of a famous journalist is to be recommended. If, on the other hand, one prefers penetrating character analysis and careful attention to historical background, Mr. Downey's work will be disappointing. The biography is pleasant reading, but it is uncritical and too romantic even for this day, when Americans are returning to literary romance. Yet possibly no account of the career of Dick Davis could be other than romantic. Before he was 30 he had become famous, both as a crack newspaper man and as the model for the Gibson man. He was the small boy's hero and the answer to a romantic maiden's prayer. The Spanish-American War

seemed made for him; he enjoyed it little less than his distinguished friend, Theodore Roosevelt. And thereafter Davis was to be found wherever wars were in progress, for with a youthful enthusiasm he loved the drama of arms; perhaps that helped to make him a great war correspondent. But he lacked the journalist's cynicism. For him, the self-made aristocrat who moved arrogantly and elegantly in New York's smart set, this was the best of all possible worlds. A bit too self-righteous, devoid of any social philosophy, fundamentally ignorant of what made the world move, he remained until his death somewhat of the Boy Scout. A later generation finds it hard to be excited by Davis's accomplishments and good deeds—with the possible exception of his courageous defense of the character of Stanford White. Even in the hands of a friendly biographer Richard Harding Davis's portrait resembles too closely that of a shallow snob. E. F. B.

Indian Constitutional History

LANDMARKS IN INDIAN CONSTITUTIONAL AND NATIONAL DEVELOPMENT, 1600-1919. By Gurmukh Nihal Singh. Benares, India: The Indian Bookshop, 1933. \$4.

THE author of this book is Professor of Political Science in Benares Hindu University and apparently a believer in the "gradualist" and peaceful approach to Indian home rule. The book was written, he says, to fill a long-felt need on the part of teachers and students for a comprehensive and unbiased account of Indian constitutional development. Professor Singh is certainly restrained in his criticism of British rule. But he never fails to attack the shortcomings of the Indian administration by making use of the device of quoting English critics, who, since the time of Colonel Burgoyne in the eighteenth century, have been severe enough for any except the most rabid of Indian Nationalists. The principal value of the book lies in the author's careful description of the situations that at various times have produced crises and reforms. As constitutional history there is too much quotation from English and Indian commentators and not enough independent analysis. It is scarcely necessary to add that a great deal has happened in India since 1919, the year in which Professor Singh's study ends. As a result, his book is only a modest help to an understanding of the present Indian constitutional problem. R. L. B.

A Dissection of Soviet Progress

THE GREAT OFFENSIVE. By Maurice Hindus. New York: Harrison Smith & Robert Hass, 1933. \$3.

MAURICE HINDUS, a great reporter, has for ten years been using his knowledge of pre-war Russia and his shrewd observation in the Soviet Union to acquaint Americans with the real changes which he has detected. Until about 1931 the Russian Revolution moved with a tempo which was reflected in the speed and movement of Hindus's first three books. The slowing-down since 1931 is indicated in the book under review, which is analytical, measured and critical rather than

exciting. It remains interesting because of its excellent illustrative material and the vividness of its nervous style. Mr. Hindus is most harshly critical of the Soviet agricultural program and has written in effect the advance notice for the scholarly evaluations which must now be awaiting publication in the technical journals. He has also ventured courageously to estimate Russia's natural resources. Mr. Hindus is most persuasive in his social pictures and analyses and in this volume readers will be particularly rewarded by his treatment of the sects, the family and education. J. B. B.

Other Recent Books

DICTIONARY OF AMERICAN BIOGRAPHY. Edited by Dumas Malone. McCrady-Millington. Vol. XII. New York: Charles Scribner's Sons, 1933. \$12.50.

THIS latest volume of the *Dictionary of American Biography* contains sketches of men as far apart as William McKinley and James Madison, Herman Melville and Increase Mather. As usual the essays differ greatly in value; some are too long, others too brief; criticism has at times been strangely omitted. Nevertheless, the volume as a whole sustains a standard of excellence that makes the *Dictionary* an achievement of which Americans may justly be proud.

THE CONSTITUTION. By Frank A. Magruder and Guy S. Claire. New York: McGraw-Hill Book Company, Inc., 1933. \$2.50.

The text of the American Constitution is analyzed and discussed, clause by clause, and the significant decisions on the constitutional questions which have arisen under particular clauses are cited, with brief comment.

CHILDREN, INC. By Thomas J. Orbison. Foreword by Herbert Hoover. Boston: Stratford Company, 1933. \$2.

Dr. Orbison was Chief of the Latvian Section of the American Relief Administration, Childfund. His book is a factual narrative of the child welfare work of the Americans in Latvia after the war.

EDUCATION IN DENMARK: The Intellectual Basis of a Democratic Commonwealth. Edited by Andreas Boje, Ernst J. Borup and Holger Rutzebeck. New York: Oxford University Press, 1933.

In the field of education, Denmark has done more than reduce its illiteracy percentage to .001. The new and successful ideas which it has contributed are known to educators all over the world. This volume gives a complete exposition of all aspects of Danish education written by persons who are actually in charge of it.

THE FUTURE COMES. By Charles A. Beard and George H. E. Smith. New York: The Macmillan Company, 1933. \$1.75.

This convenient handbook, recording and interpreting the work of the Roosevelt administration for the period between March 4, 1933, and Nov. 1, 1933, does not neglect the historical forces which shaped the work of those months.

GOVERNMENT IN THE UNITED STATES. By Claudius O. Johnson. New York: Thomas Y. Crowell, 1933. \$4.

A textbook on American government. Contains some account of the legislation enacted in 1933 by the special session of Congress.

TO AND FROM OUR READERS

"America's Bankrupt Churches"

THE article entitled "America's Bankrupt Churches," by the Rev. Charles J. Dutton, published in the October issue of *CURRENT HISTORY*, has brought forth several communications taking exception to the view presented in that article. From among them we have selected the following for publication, though the writer, Mr. Arnaud C. Marts of New York City, wishes it made clear that "it is not intended, in any sense, as a reply to" Mr. Dutton's article, "but as a view of the same situation from a different perspective."

Our generation has grown accustomed to hearing the churches of America spoken of as weak, helpless and virtually bankrupt. Many speak of the churches thus, and few challenge the description. But one who takes the trouble to look into the plain mathematics of the condition of our churches finds that, as a whole, they have come through the four depression years more nearly solvent than most of our secular enterprises. They have suffered severe losses of income, to be sure, and many of them are feeling the sharp pinch of new circumstances, but—are not we all? Relatively, the churches have made an enviable record of survival.

The people of the churches, for instance, have not cut down their contributions to the churches in ratio to the decrease in their own incomes during the past four years. The national income of all our people shrank 54 per cent from 1929 to 1932, a drop from \$85,000,000,000 to \$40,000,000,000. But they deflated their giving to the churches only 40 per cent in this period, the total contribution to churches dropping from \$850,000,000 in 1929 to \$510,000,000 in 1932. The deflation of contributions to churches was far more orderly also than the deflation of certain other interests. We find from Robert R. Doane's new volume *Measurements of Wealth, Income and Consuming Power of the People of the United States*, that they deflated their expenditures for personal comforts and luxuries from \$9,972,000,000 in 1929 to \$3,841,000,000 in 1932, a drop of 61 per cent; and they decreased their expenditures for recreation from \$4,987,000,000 in 1929 to \$1,637,000,000 in 1932, a drop of 72 per cent. An institution which continued to receive this relatively high measure of support from the masses of the people during the past four difficult years cannot be entirely bankrupt, either in spiritual or material resources.

We hear of this or that price or factor which has sunk back to pre-war levels. But contributions to our churches have not done so by any means. In 1916, total contributions to all churches of the nation were \$329,000,000, an amount nearly \$200,000,000 less than contributions in 1932, though the national income in

1916 was \$5,000,000,000 more than the national income in 1932.

During the last four years our numerous types of social organizations have experienced distressing losses in membership. Golf clubs, patriotic societies, social groups, and certain of the fraternal clubs have found it extremely difficult to hold a substantial number of their members. Many of these clubs have suffered a shrinkage in membership of 40 per cent. Yet our Protestant churches have added 1,250,000 members, net, to their rolls in this four-year period. An institution which can quietly increase its output and enlarge its service so enormously in a period of general retrenchment cannot be utterly bankrupt.

Solvency is determined in part by an appraisal of the relative values of assets and liabilities. Such an appraisal gives the churches as a whole a very high rating. The total value of the 206,000 church edifices in the latter part of the Nineteen Twenties was \$8,800,000,000. The indebtedness on this composite valuation was only 11.3 per cent. Yet at the same time the total debt of the composite valuation of the nation's industrial business, real estate and agricultural assets was estimated at over 50 per cent. To be sure there are churches here and there, too many of them, which are loaded with enormous debt burdens, but they are exceptions. And they are in trouble because they are exceptions. They built new edifices in the Nineteen Twenties, on borrowed money, a procedure which they learned from the secular world. These churches are in distress now, unable to pay the interest or retire the principal of their excessive indebtedness. But such churches are in the vast minority. Information available in reference to three of the largest Protestant denominations, with a total of 42,000 churches, indicates that only 11,000 of them have any capital debt at all, and that less than 100 of these are overburdened with debt in critical degree.

The past four years have witnessed the fall of many of our enterprises. One of six of the banks of the nation was closed before the moratorium; one of twenty-two businesses went into receivership, and one of fifty taxing units defaulted on its bonds. But few churches have gone down in the holocaust, only one in 2,344, to be precise. Their foundations have been simple and plain, but evidently sound.

The Broadway Tabernacle

MR. DUTTON in his article, "America's Bankrupt Churches," in *CURRENT HISTORY* for October, quoted a statement to the effect that the Broadway Tabernacle (in New York City) was so involved in financial troubles that no one could solve them. Mr. Dutton's statement, however, did not refer to the Tabernacle but to another New York church.

The Broadway Tabernacle has actually had no deficit during the depression and, though naturally affected by conditions, is not being seriously handicapped.

The Cuban Army

IN connection with Hubert Herring's article, "Can Cuba Save Itself?" published in *CURRENT HISTORY* for November, a correspondent who wishes his name withheld writes as follows:

No so many years ago, I had the opportunity of being rather closely associated with the Cuban Army, and got to know most of the officers and many of the enlisted men. I was in Cuba slightly less than two years, worked with the Cubans by day and listened to many of their discussions after hours and in the evenings. Through a good knowledge of their language and customs I was able to get a good first-hand idea of their problems, both from the military and from civilians. I left Cuba in 1929, and since then have corresponded regularly with many of my officer and civilian friends there. During the recent series of revolts, I have had the privilege of hearing from several people and getting first-hand impressions as soon as anything happened.

Mr. Herring speaks of the Cuban Army as being "highly professionalized" and "mercenary." The latter term, according to Webster's Dictionary, means "serving for pay; sordid, selfish." Unfortunately, the common English use of the word conveys the latter of the two meanings. The first definition describes any one who receives pay for his work. The Cuban Army was, like our own, mercenary from the standpoint of receiving a salary, but the other meanings of the word certainly could not be applied to it as a whole. Armies, other than paid or mercenary ones, ceased to exist some hundred or so years ago.

It is most certainly true that the Cuban Army was "highly professionalized," and proud of the fact. Any good organization, either military or commercial, must be highly professionalized in order to function properly. The Cuban Army, as it existed before the late disturbances, was a rather close copy of the United States Army in its organization, training and traditions. Many of their officers received a large part of their training in the American service schools, and several branches were trained entirely by American officers sent from the United States at the request of the Cuban Government. The result was a group of trained officers who closely resembled our own in general make-up. The grades of enlisted men were the same as our own, and their pay-scale was similar. The organization into regiments, battalions and so on was identical.

Implicated in the upset of Machado were officers of all ranks, backed up by their enlisted men. Incidentally, the double threat of strikes and American intervention did not drive

the officers into precipitously upsetting the government. As long ago as 1928 I listened to discussions on the subject, and when I left Cuba in 1929 was well aware that something was in the wind. The matter was frequently discussed in my presence by both officers and civilians, and it was apparent that something would break sooner or later. The Cuban military were in close touch with the people, and it was plain that they would do nothing till the public demanded action. You may call this "prudence" or "common-sense," but the army was certainly not looking for trouble.

The Cuban Army was organized about 1906, and has always been paid from the national treasury. Machado was responsible for a decided lowering of its morale. During his régime a few officers and enlisted men were detached for the purpose of carrying out many of his nefarious schemes. The actions of these few brought discredit on others who were of high character and intensely patriotic. All the 900 officers were certainly not engaged in the furthering of the selfish plans of an unpopular President. Although Machado had a few favorites who were hated by every one, the majority of Cuban officers were cordially liked by the civilian population and respected by their men. There were the usual martinets among them, but in every walk of life there are persons to whom the exercise of authority is intoxicating. Such persons are everywhere and by no means confined to the military. The average Cuban officer had trouble making ends meet on his small salary, and even that was reduced twice by Machado. On several occasions no pay was drawn for months on end.

As for the conduct of the officers during the National Hotel incident, I cannot discuss it. It goes into the ramifications of politics about which Mr. Herring undoubtedly knows more than I. The officers concerned are Latins, and their conduct in that case was different from what our own would have been in similar circumstances. It is rather significant, however, that before the revolt of Nov. 7 the Cuban press and public sentiment in general were in favor of the immediate release of the imprisoned officers. Many periodicals openly demanded their release, and so stated in various editorials. The officers concerned are, for the most part, members of the better class of Cuban families, and have a host of friends among the general public. Since the fight of Nov. 7 the papers have been more strictly censored, and little has leaked out.

The sentiment among the officers themselves seems to point to a desire to get out, and to pursue their own private affairs. Many of them had interests outside the military, and wished to devote their time to these affairs. The Cuban Government has for some time past encouraged its officers to follow some civilian occupation in their spare time, and many availed themselves of this opportunity to eke out the small salaries which they were paid. This is especially true of those having medical or engineering training.